

Austria	100.00	100.00	100.00
Belgium	100.00	100.00	100.00
Denmark	100.00	100.00	100.00
France	100.00	100.00	100.00
Germany	100.00	100.00	100.00
Greece	100.00	100.00	100.00
Ireland	100.00	100.00	100.00
Italy	100.00	100.00	100.00
Japan	100.00	100.00	100.00
Netherlands	100.00	100.00	100.00
Portugal	100.00	100.00	100.00
Spain	100.00	100.00	100.00
Sweden	100.00	100.00	100.00
Switzerland	100.00	100.00	100.00
UK	100.00	100.00	100.00
US	100.00	100.00	100.00

EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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Thursday October 25 1990

JERUSALEM

Holy shrine of intractable conflict

Page 4

£ D 8523A

## World News

### Six British soldiers die in IRA Ulster bombings

The Irish Republican Army, avenging the shooting of one of its top gunmen, killed six British soldiers and injured 27 other people in bomb attacks on two Northern Ireland security checkpoints.

A seventh body found at one of the blast scenes was believed to be that of a civilian forced to drive a bomb-laden car. The IRA claimed he was a "collaborator". Page 10

**Elizabeth Dole quits**  
US Labour Secretary Elizabeth Dole, whose husband had challenged George Bush for the presidency, became the first person to resign from the Bush cabinet. She is to head the US Red Cross. Page 6

**Thatcher complains**  
British prime minister Margaret Thatcher has written a strong letter of protest to European Commission president Jacques Delors complaining that key financial issues are being discussed in Brussels without proper preparation. Page 2

**Bush plan to Sharaf**  
President George Bush has sent a personal letter to Israeli Prime Minister Yitzhak Shamir appealing to him to allow a United Nations team to investigate the killing of 20 Arabs. Arabs kept out. Page 22

**Chemical spills**  
Two toxic chemicals spills were reported within five minutes in unrelated accidents near the Swiss border city of Basel. Nobody was hurt.

**Philippines violence**  
At least four people, including a bus driver and conductor, were killed when extremists with bombs and guns backed a left-wing strike halted transport in the main Philippine cities. Deficit cut. Page 4

**India faces election**  
India faces the prospect of an early general election. Parliament meets in special session on November 7 and a confidence vote is likely. Page 24

**California quake**  
A strong earthquake rocked north-eastern California but there were no immediate reports of damage or injuries. The epicentre was in a sparsely populated area near the California-Nevada border.

**Bishop rebuffed**  
A US Roman Catholic bishop who met a group of married former priests is reported to have received a letter of rebuke from the Vatican.

**Pakistan votes**  
Pakistanis went to the polls amid unprecedented security in general elections that are being widely regarded as a referendum on the August dismissal of Prime Minister Benazir Bhutto. Page 28

**Burma clampdown**  
Burmese police arrested 13 senior members of the main opposition party, searched Buddhist monasteries and raided political party offices in a nationwide clampdown on dissent.

**Canada's open door**  
Canada intends to open the door to more immigrants over the next five years despite concern it may not be able to handle the influx. A 50 per cent increase is being planned.

**Beirut unity plan**  
Rival Shia militias handed over positions in Beirut's southern suburbs to the Lebanese army and Syrian troops ahead of a plan to reunite the capital. Syrian pullout. Page 4

**Great Wall greater**  
Archaeologists have found a new section of China's Great Wall, extending its eastern terminus more than 800 miles to the border with North Korea.

## Business Summary

### Polly Peck gives up its fight against insolvency

Polly Peck International last night gave up its fight against insolvency after Mr Asif Nadir, its chairman, returned from Turkey and northern Cyprus without bringing any of the \$20m (\$8.5m) in cash it needed to keep its creditors at bay.

The board said it had decided to liquidate the company. The High Court administrator is to be appointed.

**GOODYEAR** Tire & Rubber, last surviving US-owned large tyre group, reported a \$61.4m third quarter deficit, the biggest quarterly loss in the company's 82-year history. The troubled Akron, Ohio company, which recently surrendered its position of world market leadership to Michelin of France, also said it plans to lay off a total of 3,000 employees by mid-1991. Page 23

**SOUTHLAND** Corporation, parent company of the 7-Eleven convenience store chain, filed a bankruptcy petition under Chapter 11 of the US bankruptcy code. Page 23

**URUGUAY** round: US intends to table in trade talks an offer to cut its tariffs on imports by 43 per cent. Page 3

**VOLESWAGEN** chief executive Carl Hahn, who was due to retire next year, looks likely to stay on to oversee the German car group's drive into eastern Europe and guide it into the post-1992 EC market. Page 23

**EXXON**, world's largest oil company, reported unchanged third quarter earnings. Page 23

**US ORDERS** for durable goods fell 1.7 per cent in September, after a revised drop of 0.8 per cent in August. Page 6

**CONTINENTAL** Airlines, US carrier, said that, having studied possible options after the bankruptcy, it will continue to fly on the airline. Page 23

**WORLD BANK** has offered to provide an international fund to promote industrial restructuring in Poland by speeding up the inflow of private sector foreign investment. Page 2

**DEUTSCHE** Aerospace, aerospace division of Daimler-Benz, looks set to lead a consortium including French, Italian and Spanish aerospace groups to build a new regional jet aircraft. Page 22

**AVON** Products, world's biggest manufacturer of cosmetics and toiletries, reported strong third-quarter earnings on modestly higher sales. Page 26

**EUROPEAN** Community warned against suggestions that its proposal on farm reform, once tabled, would not provide a basis for further negotiations. Page 22

**LEONHART**, housewares and retail display systems group, is developing a new concept, so that it will be able to pay dividends out of future earnings. Page 23

**SEARS**, Roebuck and Co, world's largest retailer, reported a 30 per cent fall in earnings in the third quarter. Page 26

**JAPANESE** trust bank, Mitsui Trust, saw two former executives arrested. Page 4

**SKF**, world's leading rolling bearings manufacturer, reported a fall of 24 per cent in third quarter profits to SKR53m (\$76m). Page 24

**KIMPULAN** Guthrie, Malaysia's largest plantation group, proposes to diversify from rubber and palm oil into property development. Page 25

**WORLD CEREAL** production could fall by 5-10 per cent by about the year 2030 as a result of global warming, warns an agricultural expert. Page 31

**PHILIPPINES** is to cut the public sector deficit in 1991 by 55bn pesos (\$2.1bn). Page 4

## Moscow endorses emergency law to control republics

By Quentin Peel in Moscow

THE SOVIET central parliament rushed through emergency legislation yesterday which seeks to reassert the supremacy of all-union laws over republic laws.

The law, which merely restates the provisions of the discredited Soviet constitution, is the latest salvo in the battle for political and executive control of the Soviet Union.

It is aimed at the parliamentary measures passed in a majority of the country's 15 "sovereign republics", including the Russian Federation, insisting on the primacy of republican laws.

The irony of the confrontation is that in the present legal and political vacuum, neither side can properly enforce its laws and nobody knows what or whom to obey.

The Russian Federation immediately defied the Kremlin by asserting Soviet laws would take effect in its territory only after they are ratified by its parliament.

The decision by the Russian parliament, reported by Tass news agency, came just hours after the vote by the Supreme Soviet.

Within the space of a few hours, the Soviet parliament rushed the law through a first reading, votes in the two separate chambers, a conciliation commission and a final vote on the second reading.

Parliamentary observers believed it to have been inspired by President Mikhail Gorbachev, showing his grave concern at the disintegration of executive authority.

The union law is to become effective as soon as it is published, in the next 48 hours, and to remain in force until the conclusion of a new Union Treaty, the constitutional document binding together the republics in the USSR.

It insists on the primacy of union laws in all areas "within the centre's sphere of responsibility", according to Tass, the official news agency.

"We are neither declaring war on the republics, nor bringing pressure to bear on them," said Mr Yuri Kalmykov, chairman of the parliamentary legislation committee.

"The republics should understand that this legal act is in the interests of all."

It was intended, he said, to end the "war of laws" between the centre and the republics. It seems highly unlikely, however, that the law will be enforceable without a full-scale reconciliation between President Gorbachev and the republican leaders, and in particular with Mr Boris Yeltsin, the Russian president.

The one clause in the law which caused controversy was a provision allowing President Gorbachev to sack the heads of state enterprises if they fail to fulfil federal contracts.

Deputies insisted that this power should apply only to enterprises controlled by union ministries.

In a graphic illustration of just what the central powers are up against, the Estonian parliament yesterday declared null President Gorbachev's presidential decrees ordering celebrations to mark November 7, the commemoration of the 1917 revolution.

The Estonian deputies decided that the presidential decrees contradicted their own law on the status of the Estonian state.

## Pravda braves the market

By Quentin Peel in Moscow

THE mighty Soviet newspaper Pravda, mouthpiece of the ruling Communists, is facing a crisis of the official party line, - whisper it softly - about to go commercial.

Faced with the prospect of a disastrous slump in circulation and the same chronic shortages of newspaper and ink, pens and petrol, transport delays and disrupted distribution, as every other Soviet publication, the bible of the party faithful is suddenly itself having to fight for its place in the future Soviet marketplace.

So, throwing ideological purity to the winds, the newspaper is looking for joint ventures with capitalist partners, is planning an international edition involving major western newspapers, and is even proposing to market its own party television programmes.

The plight of Pravda, and its urgent efforts to find a competitive solution, were spelled out yesterday by Mr Ivan Frolov, the editor-in-chief, former philosopher, and one of President Mikhail Gorbachev's closest aides.

He is himself under pressure from his own workers to resign for presiding over the demise of the party flagship.

But yesterday he insisted that he could not quit, and he had the full support of his colleagues in the party bureau, and the Central Committee secretariat.

At the last count, subscriptions to the newspaper for the coming year were running at around 700,000, or barely 10 per cent of its current circulation of almost 6.5m, he confessed. The deadline for subscriptions for all the Soviet press has now been extended from November 1 to November 15, in the faint hope of encouraging readers to return.

"The attitude to Pravda is closely connected with the attitude to the party," Mr Frolov said. "When I came to the newspaper (last year) I had already lost 3m subscribers. I told my staff now we have a circulation of 700,000 and we don't know if the party has that many true communists. If they have, why don't they defend their own newspaper?"

However, behind the desertion of its traditional readers, the newspaper faces the second, more serious problem: its erstwhile patron and protector, the Communist Party, is simply no longer in a position to assure it the same exclusive treatment.

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President George Bush at a fund-raising dinner attacks the Democrat-controlled Congress for the budget impasse

## Democrats alter budget demands

By Peter Riddell, US Editor, in Washington

DEMOCRAT congressional leaders yesterday hinted at a possible compromise over taxes on the wealthy in an attempt to end the US budget crisis.

The government faced another deadline, the fourth this month, of running out of money by midnight last night. Failure to break the stalemate could mean a partial shutdown of the government from today, with across-the-board cuts in services only 10 days before the mid-term elections.

The main blockage has been over the means of raising taxes on the wealthy so as to mitigate increases in the costs of Medicare health provision for the elderly and in gasoline tax.

House Democrats, President George Bush needs the support of a clear majority of the 268 House Democrats. However, any package will need the support of half the Senate Republicans.

These political pressures have left Mr Bush on the defensive, looking indecisive and lacking a clear political message as he switches between attacking a "tax-and-spend" Congress and appealing for bipartisan support for a deficit reduction package.

He has already conceded an increase in the marginal income tax rate for the wealthiest from 28 to 31 per cent and dropped calls for a cut in capital gains tax.

Continued on Page 22

Dele resignation may speed cabinet shake-up, Page 6

deductions for the better-off, since this would hit states with high local taxes, such as New York, California and Pennsylvania.

These states also have large numbers of House Democrats whose votes are crucial to the outcome. Instead, the plan will envisage a phasing out of deductions, graduated according to size of income.

Faced with opposition to any likely package from well over a half of his own 175 strong House Democrats, President George Bush needs the support of a clear majority of the 268 House Democrats. However, any package will need the support of half the Senate Republicans.

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## Another bad day for the president

By Peter Riddell, US Editor, in Washington

IT WAS a bad day for President George Bush on the campaign trail, but then most are nowadays.

One Republican congressman criticised his policies to his face; another, whom he had hoped to help, stayed back in Washington; others cancelled campaign advertisements featuring themselves and Mr Bush; and national Republican organisers advised candidates to distance themselves from the president.

A memorandum from Mr Ed Billings, co-chairman of the National Republican Congressional Committee, advised candidates: "Do not hesitate to oppose either the president or proposals being advanced in congress" calling for tax increases.

The last three weeks have been humiliating for Mr Bush. Not only has he been in full retreat on tax policy but he has also been repudiated by a big majority of his own Republicans in the House and by nearly half in the Senate.

Moreover, as he goes out campaigning a couple of days a week, he is being rebuffed by Republican candidates for whom he is helping to raise large sums of money.

On Tuesday, in Vermont, Representative Peter Smith, who is more loyal than most to the president, noted "very specific disagreements with this administration are matter of record". Mr Bush winced, commenting: "Like all Vermonters, he is a man of independent mind. I just wish he'd stop reminding me that we do have a few differences out there."

All the Republican House candidates standing for the Senate or for governorships have attacked his budget stance - even though he has travelled to support most at fund-raisers.

One Californian Republican congressman has changed an endorsement commercial the president made for him at the White House and used parts of it in a version that stresses his opposition to some of Mr Bush's policies.

Senator Jesse Helms, the maverick conservative Republican, for whom Mr Bush spoke only two weeks ago, has blamed the decline in his own support in his re-election battle in North Carolina on the unpopularity of the president.

But then gratitude never counts for much in politics.

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## The Big Apple suffers its worst crisis since the 1970s

Many prominent New Yorkers say David Dinkins, their embattled mayor, is drowning in a sea of bureaucracy, incompetence, a rising crime rate and a growing fiscal problem. Page 6

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## MARKETS

<b>STERLING</b> New York lunchtime: \$1.9575 London: \$1.9580 (1.946) DM2.9500 (2.925) FF3.8725 (3.855) SF2.4825 (2.465) Y250.50 (248.0) £ index 94.8 (94.5)	<b>DOLLAR</b> New York lunchtime: DM1.8083 FF6.0410 SF1.2890 Y127.10 London: DM1.8070 (1.8175) FF5.0425 (5.080) SF1.2880 (1.2815) Y128.00 (127.45) £ index 90.5 (90.5) Tokyo close: Y128.38 US lunchtime rates Fed Funds 7 1/4 % 3-mo Treasury Bill: 7.42 % Long Bond: 9 1/8 % yield: 8.78 %	<b>STOCK INDICES</b> FT-SE 100: 2,110.5 (-16.5) FT Ordinary: 1,632.9 (-15.8) FT-A 100 (15.8) 1,019.54 (-0.8%) New York lunchtime: DJ Ind. Av. 2,507.43 (+13.37) S&P Comp 312.86 (+0.50) Tokyo: Nikkei 24,570.68 (-421.42) LONDON MONEY 3-month Interbank: closing 13 1/8 - 13 1/2 % (13 1/2) Life long gilt future: Dec 84 1/2 (84 1/2)
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## WORLD TRADE NEWS

## US offers to cut tariffs by 43%

By William Dullforce in Geneva

THE US intends today to table in the Uruguay Round trade talks an offer to cut its tariffs on imports by 43 per cent across the board, US officials said yesterday.

A reduction of 43 per cent would more than meet the target of an overall 33 per cent cut in tariffs set by world trade ministers. The US offer is conditional on reciprocal reductions being made by other countries.

The comprehensive offer would include reductions in customs duties on textiles and clothing, officials said.

Washington's failure to include textiles in earlier proposals for tariff cuts has been severely criticised by its trading partners, particularly by developing countries.

The proposal on textiles is likely to be conditional on a satisfactory outcome in separate talks on the dismantling of the Multi-Fibre Arrangement, the bilaterally negotiated quota mechanism that has governed trade in textiles and clothing for the past three decades.

In an effort to speed up negotiations in the so-called market access areas, the US last month announced that it wanted a deadline of November 15 for concluding agreements on tariff cuts and the lowering of other import barriers.

However, the negotiations

have been marking time largely because the US itself failed to meet an October 15 deadline for the submission by national delegations of definitive offers of tariff cuts.

The tabling of the offer today should stimulate delegations to start the intensive bargaining over reciprocal reductions which is needed to meet the November 15 deadline.

Washington's proposal will include so-called zero-to-zero offers on a wide range of products on which the US is willing to eliminate customs duties completely, provided its trading partners follow suit.

Representatives of the private sector "zero tariff coalition" representing more than 125 US manufacturers voiced their support here yesterday for this initial elimination of tariffs.

Industries represented included producers of paper and wood products, aluminium, construction equipment, diesel engines, beer, diesel and gas turbine engines and semi-conductors.

Urging other countries to accept the US zero-for-zero offer, Mr Stephen Lovett, executive director of the National Forest Products Association, claimed that the US industries concerned could "tip the scales" in the US Congress, when legislators had to decide whether or not to accept the overall results of the Uruguay Round.

## In search of the billions lost in a statistical black hole

Peter Marsh on the trail of the 'balancing item' that is almost as big as the UK current account deficit

HERE is a problem that is taxing the Sexton Blakes of the world of economic statistics: how do you account for the \$15bn a year in Britain's overseas transactions which does not show up in the government's accounts?

The missing billions are thought to reflect either under-estimates of capital flowing into Britain or unrecorded overseas sales by UK companies. Either way, economists are concerned that by not having the relevant information the UK government is losing track over a vital area of data related to trade policy.

Mr John Major, the UK Chancellor, shares the worries and has ordered a review of government statistics by next summer which should shed light on some aspects of the conundrum.

The UK's statistical hole constitutes a large chunk of the \$50bn which, according to International Monetary Fund estimates, cannot be accounted for out of total global exports over the past few years.

In Britain's case, the concern is heightened both because of the size of the statistical discrepancy and because of its relevance to Britain's large current account deficit, which at

	UK CURRENT ACCOUNT									
	'77	'80	'81	'82	'83	'84	'85	'86	'87	'88
Current a/c balance	-0.45	2.84	6.75	4.85	3.79	1.89	2.75	0.00	-4.18	-15.15
Net fin transactions	-0.74	-3.84	-7.43	-2.29	-4.85	-7.92	-7.24	-8.51	0.47	7.01
Balancing item	1.00	0.91	0.93	-2.06	0.76	6.03	4.49	8.54	3.71	6.13

\*Figures include allowances for allocation to the national accounts of special drawing rights

Source: Central Statistical Office

\$19bn last year is the biggest in Europe. The deficit is likely to be \$14bn this year, according to IMF projections.

Basic economic theory dictates that the difference between exports and imports for a specific country should be matched by currency flows of the same amount, much of it representing borrowing. The \$50bn global number represents the total value of exports where the transfer of goods in one direction cannot be matched by recorded monetary flows the other way.

Virtually all countries have statistical discrepancies in their trade figures. But Britain's is particularly large and has grown considerably over the past few years.

For 1989, when the UK current account deficit was \$19bn, officials at the government's Central Statistical Office (CSO) have identified net transfers into Britain of only about \$4bn.

That leads to the discrepancy of \$15bn - which economists call the balancing item.

The CSO collects its data from a number of sources, such as customs records, surveys of industrial and consumer spending and stock exchange accounts. The appearance of such a large balancing item is thought to be due to a number of factors:

● It may be due to sales overseas of services - part of Britain's invisible exports - which the government does not know about. Unrecorded sales of this kind could mean Britain's current-account deficit is smaller than thought.

● Short-term capital inflows via the foreign exchange and bond markets - overseas traders buying pounds for speculative reasons - might be significantly larger than the government has a record of. That could represent a problem to the UK as some of the

inflows could be pulled out at short notice, destabilising the economy.

● British residents could be importing to Britain large amounts of capital, arising from interest or rents on foreign assets, which they are failing to declare to the Inland Revenue.

● The government might be failing to count some exports of manufactured items. Although figures for such visible trade are more reliable than those for invisibles, mistakes can happen. An oversight by customs officers led to Britain's national accounts between 1987 and this year failing to record aircraft imports worth about \$1.5bn.

● The transfer of capital into Britain could be linked to criminal activities, such as the narcotics trade.

● Borrowing by UK institutions and individuals from overseas groups might be

much greater than has been thought.

The CSO points out, in defence of the large discrepancy, that it is the residual number after adding and subtracting very large numbers in the annual accounts. Britain's exports and imports amount to \$200bn a year and the amount of capital swapped with overseas partners by UK-based foreign-exchange dealers every year runs to trillions of dollars.

In efforts to shed light on the hole in the accounts, the CSO recently found it had underestimated the value of UK equities which overseas residents and institutions bought during the 1980s. That accounted for capital inflows of about \$1.5bn a year which no one knew about.

As a result of this and other revisions, the CSO reduced its estimate of the balancing item for 1988, from \$12bn to \$8bn. But even allowing for similar exercises, the discrepancy in the accounts for 1989 is unlikely to be revised to less than \$10bn.

Mr Simon Briscoe, an economist at Midland Montagu, a London investment bank, says a large amount of the black hole is probably due to unrecorded earnings in financial services, in particular from the

City. To discover more about this, the CSO has started a survey into details of overseas earnings from 25,000 UK services companies.

Mr Peter Spencer, chief UK economist at Shearson Lehman Brothers, a stockbroker, says that the lack of information about inflows and invisibles earnings means the government is less able to formulate policy. "No one has a clear handle on what is going on."

Another complaint is that the balancing item undermines general confidence in the accuracy of the UK's financial statistics. Some would like to see the UK do more to track transfers of capital, such as occur when foreigners buy British equities or bonds. Others, however, say such ideas would be too bureaucratic and would be against the spirit of financial deregulation likely to be part of post-1992 Europe.

Mr John Lipsky, head of international research at Salomon Brothers, a New York bank, says that in the 1990s European governments will find it hard to gain reliable data about capital movements and other economic indicators and will just have to live with more statistical black holes. Parliament, Page 10

## Local brewery aids Tonga economy

By Dal Hayward in Wellington

PRIPPS, the Swedish state brewery, has established a joint venture setting up a brewery in the tiny Pacific island kingdom of Tonga.

Small by international standards, the brewery has boosted the state's economy by almost eliminating beer imports, saving valuable foreign exchange, cutting the cost of imports, and creating jobs. It has also helped solve a major environmental problem: the disposal of aluminium cans.

Previously, Tonga's total export earnings from bananas, which made up 15 per cent of all export receipts, was spent on buying imported beer.

The brewery now has 71 per

cent of Tonga's beer sales, which were formerly dominated by Budweiser of the US and the Fosters of Australia.

The King of Tonga ordered the project should create as many jobs as possible; therefore, hand labour is used in preference to high technology and computers, which have difficulty functioning in the local heat and humidity.

The use of returnable bottles has reduced the severe environmental problems associated with aluminium cans.

Pripps has now set up another joint brewery project in Vanuatu, and is holding discussions on similar projects in other Pacific states.

## Delors sees end to subsidy impasse

By Tim Dickson in Strasbourg

MR JACQUES Delors, the European Commission president, hinted yesterday that the present impasse over EC farm reform could be broken tomorrow.

Speaking to journalists in Strasbourg, Mr Delors said he thought Brussels was ready to provide Germany with guarantees that plans to cut EC farm subsidies would be softened with compensation payments and "accompanying" measures.

Bonn has emerged over the past 10 days as the most formidable opponent of the Commission's proposed offer to its international trading partners to reduce farm supports by 30 per cent.

In three meetings of the EC Farm Council and two meetings of EC trade and foreign ministers German representatives have been the most out-

spoken critics of the Commission's ideas.

EC farm and trade ministers met jointly in Luxembourg tomorrow in a last-ditch effort to avoid the issue going on the agenda of EC heads of government at their summit in Rome this weekend.

Mr Delors said yesterday that such a development would be "disastrous".

It was far from clear last night, however, that Mr Delors' optimism was well founded. German officials said they had not yet seen details of the Commission's "assurances" and admitted that Brussels has to tread a very thin line.

Bonn is preoccupied about two main issues. One is that the EC provide farmers affected by the proposed cuts in price support with adequate compensation. The other is that, as currently drafted, the

Brussels package will ultimately weaken defences in the Common Agricultural Policy designed to restrict cheap imports.

It is understood that the Germans may not be seeking specific changes to the Brussels proposal but a "parallel" text to consist of the necessary guarantees on both points.

The Commission, however, which itself is deeply divided on farm reform, will have to strike a balance between satisfying German demands and not alienating others.

The US would be likely to seize upon any compensation that appears to distort the market as a justification to continue its own direct income supports.

Britain, Denmark and The Netherlands would be sensitive to any measures that undermine general European farm competitiveness.

## Battle over patents hits Brazil

By Victoria Griffith in São Paulo

THE promise by Brazil's Collor administration last June to introduce patent protection on pharmaceuticals and chemicals has let loose a lobbying battle between multinational and national companies.

Business and government agree the issue depends more on Congressional approval early next year than on the Collor trade liberalisation talks, set to be finalised in December.

Mr Luiz Velloso Lucas, secretary of industry and commerce, is determined Brazil adopt the new legislation even outside the Collor context. "We have no intention of using the issue as a bargaining chip," he explained.

"Whether we reach an international agreement or not, the Collor administration is committed to establishing intellectual property rights in Brazil. The lack of patent protection

amounts to a subsidy to the local industry we can no longer afford."

The Collor administration would like access to worldwide research and development expenditures. The US pharmaceuticals and chemicals industry alone spent \$8bn (24bn) on R&D last year. Over the same period, spending in Brazil was low. Interfarma, the multinationals' lobbying group based in Rio de Janeiro, says:

"The government has promised to submit a law on patent protection to Congress by March 20. But Mr Norberto Gmuer, president of Ciba-Geigy in Brazil, believes that even if protection is guaranteed, the R&D spending rise will not be significant. New-technology benefits were more important. "Brazil is the best place to conduct research on tropical diseases, plants and animals.

Patent protection here means advances in those areas."

Multinationals were still worried about two issues: when the law will go into effect, and the length of patent protection. Abifina, an association of 60 Brazilian pharmaceuticals and chemicals companies, is seeking a delay in intellectual property recognition of 10 years for processes and 15 years for products. The multinationals want immediate patent rights, for 15-20 years.

"We think it's still too early for Brazil to be looking at patent protection," an Abifina official said. "Patent protection will mean the end of the Brazilian presence in this industry." But the national companies may find they have little weight to throw around. They contribute only 20 per cent to pharmaceuticals and chemical production in Brazil.

locked into your system

or looking for new Openings.

Your proprietary computer system has you on a road to nowhere.

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## INTERNATIONAL NEWS

# Bankers held as Japanese stock scandal spreads

By Stefan Wagstyl in Tokyo

TWO FORMER executives of Mitsui Trust and Banking, a leading Japanese trust bank, were arrested yesterday in the latest incident in a widening scandal over the support given by top financial institutions to Mr. Mitsuhiro Kotani, a stock market raider.

The two men, who worked at the same branch, were arrested with two of their clients on charges of tax evasion. According to the Tokyo District Prosecutor's Office, the four allegedly failed to report profits on stock market investments made with the help of inside information supplied by Mr. Kotani.

Mr. Kotani, head of an investment syndicate named Koshin, passed on tips in return for the two managers' support for loans from the bank, which totalled ¥45bn (\$283m) to ¥50bn (\$303m).

The arrests follow the detention earlier this month of a former manager at Sumitomo Bank, on charges of extending illegal loans to Mr. Kotani. The moves all stem from an investigation into Mr. Kotani's affairs following his arrest earlier this year on stock manipulation charges.

The affair has prompted widespread public criticism of banks for funding speculation in stocks and land in the late 1980s when prices were soaring. The Finance Ministry and the Bank of Japan plan to increase checks on banks. The ministry yesterday summoned senior Mitsui Trust officials to explain the bank's role in the Kotani affair.

Mitsui Trust said in a statement that the case concerned the personal affairs of the two managers. Mr. Tsumetaka Sato, the deputy manager at the bank's branch in Shibuya, central Tokyo, had been dismissed in 1988 and Mr. Haruki Matsuo, the branch auditor, in February this year.

However, the bank also yes-

terday imposed pay cuts of 10 to 20 per cent for three months on 13 directors. Mitsui Trust denied that this implied any admission of guilt by these executives. Western and Japanese concepts of responsibility were different, it said. The bank regretted that it had caused "a disturbance in society".

According to the prosecutor's office, Mr. Sato failed to report profits totalling ¥1.1bn and Mr. Matsuo profits of ¥533m. The two others arrested were Mr. Nobuyuki Ito, president of Urban Renaissance, a property company, and Mr. Tetsuo Kobayashi, a former director of the company.

The prosecutor's investigation has confirmed that Mitsui Trust and Sumitomo Bank were Mr. Kotani's two largest lenders, at one stage accounting for most of ¥100bn that he borrowed from banks to fund stock market operations.

Mr. Kotani developed links with high officials at both banks, including Mr. Tetsuro Nishi, the deputy president of Sumitomo, who resigned last week along with two senior colleagues, including the bank chairman. At Mitsui Trust, links with Mr. Kotani were supervised by Mr. Takeshi Nakajima, the former chairman, who died earlier this year.

Mr. Kotani's peak need for funds was in 1987-88 when he mounted a raid on Kokusai Kogyo, an aerial survey company, where he won control in a controversial hostile takeover.

Subsequently, Mr. Kotani's attempts to pay off loans taken out to fund the Kokusai Kogyo acquisition led to his alleged attempt last April to manipulate the shares of Fujita Tourist Enterprises, a leisure company, in order to sell a large block of stock at inflated prices. The bid resulted in Mr. Kotani's arrest.

## Philippines seeks to cut deficit

By Greg Hutchinson in Manila

THE PHILIPPINES government is to cut the public sector deficit in 1991 by 50bn pesos (\$3.14bn) through a combination of increases in revenue and cuts in expenditure.

An agreement between cabinet and congress projects a boost in revenues of 30bn pesos. Expenditure cuts would total 20bn pesos, including 5bn pesos which would stem from lower government domestic borrowings as a consequence of the measures.

Increased revenues would be achieved through better tax collection, the imposition of an import levy, and an accelerated privatisation drive.

Mr. Jesus Estanislao, the finance secretary, said next year's budget deficit should fall as a percentage of gross domestic product to 3.4 per cent from 5.4 per cent currently.

He placed emphasis on speedy disposals of Philippine Airlines, Republic Planters Bank, and hotels. He added that expropriated assets of the Marcos era would be put on the market.

The ownership of many of these, ranging from golf courses to factories, remains in dispute.

The company is again to attempt the sale of the Nonoc Mining and Industrial Corp, the country's only nickel mine and smelter.

A bus-burning campaign ensured that a general strike called yesterday throughout the Philippines paralysed public transport, but industry did not grind to a halt as left-wing labour groups hoped.

Radicals killed a bus driver and a conductor, and set 16 buses ablaze to enforce the strike, called to press for a 30 per cent minimum pay rise.

The pay rise is being sought to compensate for higher oil and other prices. The government, struggling with a swelling budget deficit and rising inflation, says it may consider an increase of about half that demanded. The basic daily rate for the capital is 80 pesos.

Philippine workers received a 25 per cent rise in their basic pay 15 months ago, although surveys of industries have showed that only a fraction of businesses - mainly foreign companies - pay the minimum.

## Li lodges appeal

Mr. Ronald Li, former Hong Kong stock exchange chairman, sentenced last week to four years' jail, has appealed against his conviction on corruption charges related to share dealings, writes John Elliott in Hong Kong.

He is also applying for bail until the appeal is heard - possibly late in December.

## THE MIDDLE EAST

# Freed hostages tell of psychological strain

By Jimmy Burns

THE hostages freed by Mr. Edward Heath's mission to Iraq returned to Gatwick airport early yesterday and spoke of the psychological strain of their ordeal.

One of the freed, 49-year-old Dr. Ronald Eccles, said: "There are a lot of stress-related diseases coming out. People have been developing heart trouble and diabetes. If they had any medical problems in the past they are facing up and are made worse by the ordeal," said Dr. Eccles, who suffers from arthritis.

Mr. Tony Wilbraham, 50, a civil engineer suffering cancer, was forced to suppress faith in his own recovery to get on Mr. Heath's plane.

Before his detention, he had been telling himself he might be cured. "But over there, to get out, I had to say loudly: 'I have cancer, I am dying,'" he said.

Some returning hostages, like Mr. Henry Halkyard, 61, who was detained for more than a month on an industrial site 35 miles north-west of Baghdad, talked of the "hazardous" of his captors.

"The food was not too bad although there wasn't a lot of it," said Mr. George Robertson, a training consultant with an Arab telecommunications company who was arrested early in August after Iraqi troops raided his Kuwaiti home, the view was more muted. "I was held on one site all the time and medically well treated, but I won't say more than that. I'm thinking of the guys who were held with me and are still out there," he said.

Information on where the hos-



Edward Heath celebrates with the hostages on their flight to freedom

tages are being held has become increasingly hard to come by. One reason is the diminishing western diplomatic presence, particularly in Kuwait, where there were once some 300 of those released yesterday.

On the basis of the latest and most reliable official and private information there are now some 580 Britons in Kuwait. Of these around 60 are thought to be held

in oil and military installations in and around Kuwait City, with most of the others in hiding. In Iraq there are believed to be 80 Britons left. Of these about 300 are detained near or at least a half a dozen strategic locations including dams, oil refineries, and chemical or biological research plants. The rest are living, under supervision, in hotels, apartments or villas.

Among the latter are some sick and elderly excluded from Mr. Heath's mercy mission by a mixture of bureaucracy and cold political calculation. There are also employees of British companies who have been advised by the Foreign Office to carry on working out of their contracts.

Mr. Heath yesterday announced that 30 construction workers would be allowed to leave next month at the end of their contract helping build and decorate a prestige administrative building for the Iraqi Ministry of Planning.

But what was publicly expressed as a concession hides a rather cruder reality. Last month five workers on the same project were arrested by the Iraqi authorities while trying to escape and remain detained in locations around Baghdad.

As a director of Uster company Rotary International commented: "The Iraqis meant that as a lesson. Now those who are working are doing so because they want to get out. They know that if they stop working, they might not get out."

Mr. Jim Thompson, 50, general manager of a British engineering company, spoke of frustration among hostages who had been given a diet of rice and stale bread. The conditions had proved a shock to 45 westerners near an Iraqi aircraft factory.

"We had satellite guards who would punch hostages just for the sake of it, we tore down fences, broke all the windows and dented anti-Saddam slogans on the walls," he said.

# Jerusalem, holy shrine of intractable conflict

Hugh Carnegie on a city as divided as it ever was by the now banished 'Green Line'

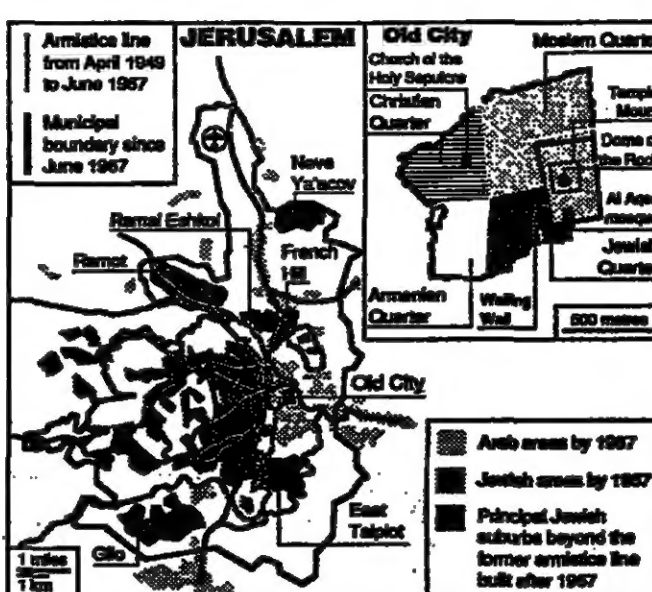
IN THE Jewish Quarter of Jerusalem's Old City there is a small museum devoted to the conquest of the enclave by Jordan's Arab Legion in 1948 when war between the newly formed state of Israel and its Arab foes left the city divided.

The loss of the Jewish Quarter - and indeed the failure to secure control of all Jerusalem - was the bitterest defeat for the Jews in a war that otherwise saw Israeli forces repulse Arab attacks and carve out the nascent country's borders. For the first time in nearly 2,000 years, Jews no longer had access to their holiest site, the Western Wall of the ancient Jewish Temple.

Almost 19 years later, in June 1967, Israeli troops captured the Old City and the rest of the Arab eastern sector of Jerusalem as part of their victory in the Six Day War. The Western - or Walling - Wall was redeemed and great emotion and the nearest thing to a consensus was established in Israeli society. Jerusalem would never again be divided and would remain forever the unchallenged sovereign capital of Israel.

"The Jewish Quarter will never fall again," says an inscription written last week in Hebrew in the museum's visitors book. "Kill Arabs," says another, more bluntly, in English.

The Palestinian claim to Jerusalem and its holy sites, in



this most intractable issue in the Arab-Israeli conflict, rests like the Israeli one, on a potent mixture of history and religion. They have populated the city for centuries and the Moslem holy sites of the Dome of the Rock and Al-Aqsa mosque - built on the stony hilltop where the Jewish Temple once stood and where 20 Palestinians were shot dead by Israeli police this month - are the third most sacred in all Islam. "If Israelis fail to appreciate the significance of this claim, I do not see how they can hope for anyone, including the Pal-

estinites, to appreciate their equally strong spiritual claim," said Mr. Sari Nusseibeh, philosopher and member of a leading Jerusalem Arab family earlier this year.

Since 1967, Israeli policy on Jerusalem has hinged on an absolute adherence to full control of the city. The authorities, notably the tireless mayor, Mr. Teddy Kollek, have laid much stress on protecting freedom of worship and access for all faiths, on preventing any rebuilding of the pre-1967 "Green Line" that physically divided the city and extending

municipal facilities to Arab districts.

But none of this comes near to satisfying the Palestinians. For a start, like virtually the entire international community, they reject Israel's claim to sovereignty and its 1967 annexation of Arab east Jerusalem. The city's Arab population has been offered Israeli citizenship but almost universally refused it, instead keeping Jordanian citizenship. No Arab has stood for election to the consequently all-Jewish municipal council since 1967.

They also bitterly resent the reality of development in the city which vastly favours the Jewish community. The Israeli Government deliberately set out to build a big Jewish population. In the annexed areas in Jewish-like settlements strategically placed around the city perimeter to ensure Jews were never again threatened in the city. Suburbs such as Ramat, Neve Ya'akov, French Hill and Gilo dwarf and separate old Arab districts where getting building permits is extremely difficult.

The result is that 130,000 of the city's 354,000 Jewish residents now live in annexed areas. The city's total non-Jewish population is 140,000, the vast majority of whom also live in these areas. Arab population growth has most years outstripped that of the Jews, but the authorities constantly try to maintain a balance by new settlement. One of Mr. Kollek's

reactions to unrest in the city was to call for more Jewish settlement of immigrants from the Soviet Union.

Most Palestinians acknowledge these facts and make an Israeli withdrawal from east Jerusalem impractical, short of a war but others such as Mr. Nuseibeh propose some kind of shared sovereignty where Arab and Jewish districts are administered separately with a shared supreme council. Many Israelis also believe some kind of sharing must be agreed. "If people can't understand the need to share, it will not work. People will kill and blood will flow," says Mr. Asa Kirschtick in her art gallery at the point where the Jewish and Arab quarters meet in the Old City.

Already, since the outbreak of the Palestinian intifada, or uprising, nearly three years ago, the city has been re-divided in practice as even the most liberal Israelis stay out of Arab areas and Arabs who enter Jewish areas do so mainly only to work.

Almost, a highly-qualified Palestinian engineer, says he has seen enough. He is leaving to work abroad and does not envisage returning. "My father was born in 1912. He has spent the whole of his life in Jerusalem and if you ask him he will say that is no future here. It is going to be an endless story. They fight you and you fight them. That's all."

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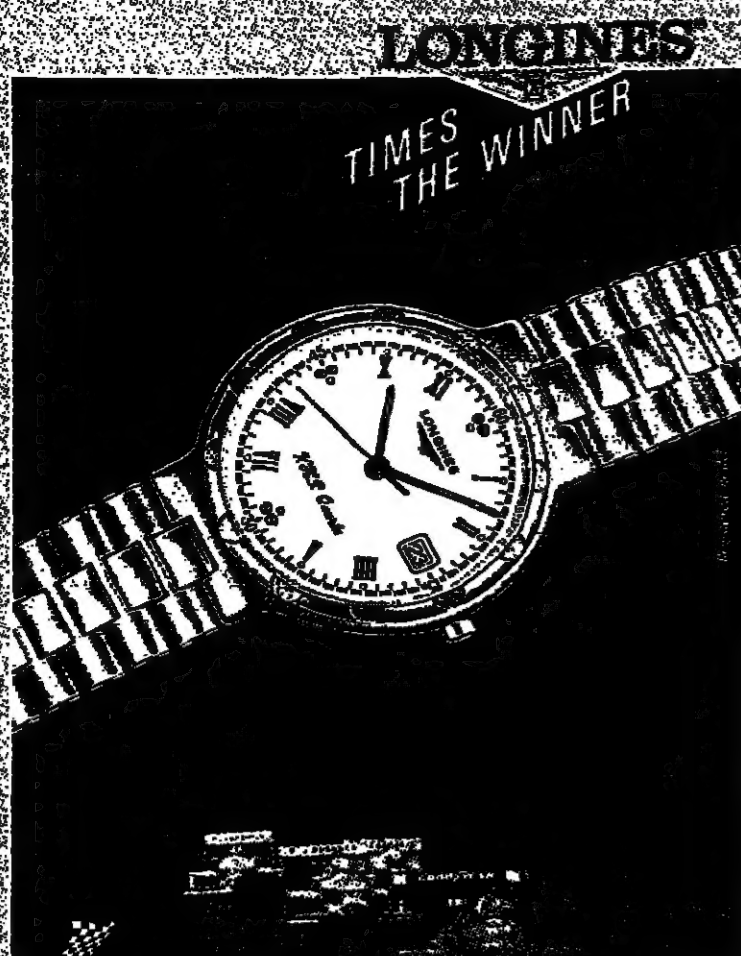
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Reg. No. 010054036

NOTICE TO HOLDERS OF SHARE

WARRANTS TO REDEEM

PAYMENT OF COUPON NO. 193

Holders of Share Warrants to Redeem are

informed that payment of Dividend No.

93 will be made in U.K. currency, on and

after 9 November 1990 after surrender of

coupon No. 193 at following:

per share

20000

Dividend declared in S.A.

currency 24 cents per share - in

U.K. currency on 19 October

1990 at 35.0119 - £1 to

6.7835

S.A. Non-Resident

Shareholder's Tax at 15%

1.01758

3.76527

U.K. Income Tax at 10% (see

note) on gross dividend

0.67835

Net Amount

3.08792

Coupons may be lodged and being done

may be obtained from:

LONDON PARIS

36 Prince Gen: Charles de Gaulle

Mons: 48 Boulevard

LONDON PARIS 75009

SW7 2PR

All coupons lodged with the Paris

Agents and being done at the London

Office accompanied by valid Revenue

declarations will be paid at the rate of

3.76527 per share.

APPOINTMENTS LIMITED

London Securities

25 October 1990 per R.L. Bond

NOTES: The rate of S.A. Non-Resident

Shareholder's Tax applicable to this

dividend is 15% and relief for this has

been given by deducting U.K. Income

Tax at the rate of 10% instead of at the

basic rate of 25%.

LEGAL NOTICES

Jacob Distribution Limited

JFD Limited

NOTICE IS HEREBY GIVEN, pursuant to Statute

of the Companies Act 1985, that the

members of the company are to be

convened for the purpose of electing

directors on 12 November 1990 at 11.00 am for

the purpose of electing and electing

a copy of the report prepared by the

directors pursuant to Section 48 of the

Act. The meeting may, if they think fit,

be held at any other place than the

place specified in the notice.

Members are only entitled to vote if:

(a) they have delivered to us at the address

above, no later than noon on 1

November 1990, written details of the

shares they claim to be due to them from

the company, and the shares have been

admitted under the provisions of

Rule 3.11 of the Companies Act 1985;

and

(b) there has been lodged with us any

proof which the company is obliged to

use in its or her behalf.

Please note that the original proxy signed by

or on behalf of the shareholder must be

lodged at the address specified above

(including bank copies) are not acceptable.

Date: 19 October 1990

J.M. FREEDALE & J.M. THOMPSON

Joint Administrative Receivers

Carl Gully

Shelley House

3 Middle Street

London EC2N 7DQ

CATALONIA

The Financial Times

proposes to publish this

survey on:

16th November 1990

For a full editorial synopsis and advertisement details,

please contact:

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Financial Times, (Spain)

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

### AMERICAN NEWS

## Dole move may hasten shake-up in US cabinet

By Lionel Barber in Washington

THE resignation yesterday of Mrs Elizabeth Dole as US labour secretary raised speculation of further changes in President George Bush's cabinet after mid-term elections early next month.

Mrs Dole, who is to become president of the American Red Cross, is the first cabinet officer to leave the Bush administration. Many Republicans and political commentators believe her departure offers an opportunity for a cabinet shake-up to repair damage caused by the budget fiasco.

Mr Richard Darman, budget director, looks under greatest threat. He persuaded the president to drop his "no new taxes" pledge and agree to an inconclusive summit with congressional leaders to cut the federal deficit, a course which has split the Republican party and led to a steep decline in Mr Bush's approval ratings.

Mr Richard Thornburgh, US attorney-general, is also seen as ripe for removal. He has made enemies throughout the administration; the low-point coming when he offered to take a lie-detector test to prove he had not leaked damaging information against a Democrat congressman.

Other vulnerable cabinet members include Mr Manuel Lujan, secretary of the interior, and Mr Laura Cavazos, sec-



Elizabeth Dole: to pursue own political ambitions

tary of education.

Mrs Dole was the only woman in the cabinet. A possible successor as labour secretary could be Ms Lynn Martin, the Republican congresswoman struggling to win a Senate race in Illinois.

Mrs Dole, 54, is married to Mr Robert Dole, the Senate Republican leader. She has spent 25 years in government posts, going back to the Johnson administration, but was

never part of the inner circle of domestic policymakers under Mr Bush.

Her departure at this early stage in the administration suggests she will pursue her own political ambitions in her native North Carolina.

Many believe she may seek the Republican nomination for state governor in 1992, or for Senator if Mr Terry Sanford decides to retire.

## Lukens resigns after allegation

MR Donald E. Lukens of Ohio resigned from Congress yesterday after being accused of making sexual advances on a House elevator operator who said he had been raped.

He was convicted earlier this year on a misdemeanor charge for having sex with a 16-year-old girl.

The second allegation prompted House Republicans to urge Mr Lukens to resign rather than trigger a politically embarrassing ethics committee investigation two

weeks before the national elections.

The resignation coincides with the ethics investigation and threatens any formal House action.

The ethics committee had taken the unusual step of waiving its due-process rules to take immediate action on the new complaint.

Mr Lukens missed all votes conducted on the House floor on Tuesday and made no public statements.

## Civil rights bill veto sustained

THE Senate yesterday failed to override President Bush's veto of a civil rights bill that would have made it easier for workers to win job discrimination suits, Reuters reports from Washington.

The 66-34 vote was one short of the two-thirds majority needed to override a veto.

Because the Senate sustained the veto, the bill is dead and the House will not vote on it.

Mr Bush vetoed the bill on Monday, saying it would encourage employers to use racial and gender job quotas to avoid discrimination suits.

"With this shameful veto, President Bush has placed himself on the wrong side of history and the wrong side of civil rights," Senator Edward Kennedy, a Massachusetts Democrat, said.

This veto contravenes the basic principles for which George Bush has stood in his long and distinguished career in public life.

## Havana cracks down on crimes against economy

POLICE in Havana have arrested 200 delinquents accused of illegal earnings and crimes against the economy, the official Communist party daily Granma reported yesterday.

Granma said those detained in operations since the beginning of this week were repeated offenders whose activities "caused indignation among the population, especially in the extraordinary circumstances which are facing the nation".

It gave no detail of the offences committed. Diplomats in Havana said the crackdown appeared to be aimed at black-market dealers, illegal money-changers and handlers of stolen goods.

They said the communist authorities were anxious to prevent a rise in black-marketing at a time of increasing shortages of food

and other goods. Shortages have been caused by disruption to supplies from the Soviet Union.

Granma said the country's socialist system could not tolerate "any kind of parasitism, nor allow with impunity those who sought to live at the cost of the work and sweat of others".

It appealed for the public to co-operate with police to help catch delinquents.

The authorities this month created more than 90 People's Councils in Havana under a new system of local community government. President Fidel Castro said one of the council's main tasks would be to root out "corruption and privileges".

Another senior party official, politburo member Vilma Espin, recently called on Cubans to denounce anyone clearly living above his income.

## NY's decay outpaces 'do-nothing' Dinkins

Alan Friedman talks to an embattled mayor

MANY prominent New Yorkers say David Dinkins, their embattled mayor, is drowning in a sea of bureaucracy, incompetence and the worst fiscal problems since the city's crisis of the 1970s.

The parlous state of New York is clearly visible in the physical decay of the roads and bridges, many of which are half-closed by infrastructure works that are underfunded and may take years to complete. And the presence of tens of thousands of homeless people on the streets - the legacy of cuts in social services under former Mayor Ronald Reagan - means that pedestrians may often be accosted by beggars.

The city's unhappy state is made worse by recession and lay-offs in real estate, advertising, retailing, insurance and financial services. Crime is on the rise again, with fears escalating after a rash of killings in recent weeks.

On the financial front the shortfall in tax revenues linked to the deteriorating New York economy and escalating municipal spending caused Standard & Poor's, the credit rating agency, last week to place \$13bn of the city's general obligation bonds on its creditwatch surveillance list for a possible downgrade.

Last week Mr Felix Rohatyn, chairman of the Municipal Assistance Corporation, the agency set up to deal with the city's 1975 fiscal crisis, resigned in frustration and warned that New York may face "financial, economic, as well as social disaster".

The mayor, meanwhile, is being attacked by his critics as a do-nothing consensus politician who contradicts himself every time he speaks. "Do Something, David!" screamed a recent headline in the New York Post, the city's vox pop barometer of public sentiment.

And last month a cover story in Time magazine ("The Rotting of the Big Apple") claimed that 59 per cent of New Yorkers surveyed would move out of the city if they could.

One of the reasons Mr Dinkins, New York's first black mayor, was elected was a hope that he would build a racial consensus. This has not happened. But race is no longer an issue: the problem is Mr Dinkins himself.

He shocked many recently when he announced, in the same week, a generous 5.5 per cent wage increase for teachers and proposed expanding the police force. Two days later he announced a hiring freeze and the possibility of laying off 15,000 municipal workers.

To finance the additional policemen Mr Dinkins proposed new payroll, lottery and real estate taxes that were immediately criticised by the corporate world, already hard pressed by the city's heavy taxes and in many cases seeking opportunities to re-locate out of state.

To make matters worse, the mayor claimed that the overall budget shortfall for the next fiscal year would be \$1.4bn, or \$500m above current predictions. But his Elizabeth Holtzman, the city's comptroller, on the same day suggested the actual budget gap would be nearly twice Mr Dinkins' estimate.

In an interview with the Financial Times Mr Dinkins defended his actions. He said only 1.5 per cent of the teachers' pay settlement would be paid for by new city funds, with the balance coming from the state budget and pension fund allocations. Asked how he planned to stop other municipal unions from demanding the same rise as the teachers he would say only that "I do not contemplate spending any more than 1.5 per cent for other unions".

The mayor also argued that his plan to put 9,000 more policemen on the streets would be financed one third from the redeployment of existing officers, a third from "money already in our budget" and the rest from new funding.

The special taxes he had proposed would be accepted "based on an initial and informal survey I have taken".

The contradiction between his \$1.4bn

## Distortions in motor industry hit US orders

By Anthony Harris in Washington

US ORDERS for durable goods fell 1.7 per cent in September, after a revised drop of 0.8 per cent in August. There was no reaction in the financial markets, which remained preoccupied with the budget deadlock.

The unexpected fall resulted mainly from defence cuts and a distorted order pattern in the motor industry, where final sales have been unexpectedly strong.

There were bullish signs over the weak figures. Unfilled orders were unchanged, and remain near their historic high point. Orders for civilian capital goods, usually regarded as the best forward indicator of investment, rose by 0.3 per cent - or 2.3 per cent when the volatile aircraft series is stripped out. Defence orders were down 0.6 per cent.

The unexpected drop in vehicle orders appears to be the mirror image of an earlier surge, when the industry built up inventories ahead of autumn labour negotiations and possible strikes.

In the event, settlements have been achieved almost without disruption.

## Mexico unveils plan to curb police torture

By Richard Johns in Mexico City

PRESIDENT Carlos Salinas de Gortari of Mexico is to submit to Congress legislation aimed at eliminating torture by the police. The move follows mounting international criticism of human rights abuses in the country.

Under the president's 13-point programme, interrogation of suspects will be the responsibility of public magistrates - rather than the judicial police. Confessions will not in themselves be grounds for conviction.

Mr Jorge Carpiaz, head of the National Human Rights Commission, welcomed the reform package announced late on Tuesday.

About 60 per cent of the 394 complaints about human rights abuses submitted to the commission have related to law enforcement officials and, in particular, the federal judicial police.



## AMERICAN NEWS

## Banks give Lima a breathing space

PRESIDENT Alberto Fujimori says a decision by 10 creditor banks to suspend a \$1.2bn lawsuit against Peru is a vote of confidence in his aim of restoring good relations with foreign lenders. Reuters reports from Lima.

BankAmerica, Citicorp and eight other US, Japanese and Canadian banks agreed this week to suspend the lawsuit they filed in New York in March to try to recover loans.

"This is an unmistakable show of confidence in our policy of stabilisation and reinvestment in the international financial community," Mr Fujimori said.

"I am sure that this position will bring credibility with foreign and domestic investors," Mr Fujimori has vowed to

who badly needed credit and aid through better ties with lenders.

Bankers, seeking to prevent their claims from expiring under a statute of limitations, filed suit in New York last March in order to pressure the former government of Mr Alan Garcia to pay back the loans.

The banks suspended the suit when Peru agreed to meet a committee representing all its commercial creditors by March 30.

Mr Fujimori won a further boost for his debt policy this week when the Inter-American Development Bank said its president, Mr Enrique Iglesias, would visit Peru next week to study new loans after a five-year freeze.

## Four people killed in fresh wave of violence

FOUR people, including a journalist, have died in political violence in separate attacks around the country, police say, AP reports from Lima.

The wave of violence followed a weekend of rebel attacks and blackouts in the capital. Maoist Shining Path guerrillas shot dead a television reporter in the northern Andean city of Huaraz, police said. Three hooded guerrillas machine-gunned Mr Pedro Macedo Figueroa in the doorway of his home in the departmental capital of Huaraz, 175 miles north of Lima, on Monday night.

Mr Macedo, 53, was a reporter for America Television, the Lima television station. He was well known in the Huaraz region for waging a campaign against the guerrilla movement in local newspapers and on radio, a local journalist said.

In Lima, police shot dead a left-wing rebel and captured another on Tuesday when two guerrillas opened fire on police. One policeman was seriously wounded in the attack.

Police said Shining Path rebels on Tuesday placed bombs at two university campuses. These were deactivated by explosive experts.

On the same day, police

opened fire on demonstrating social security workers in Lima, killing one, according to television news reports. They broke up the demonstration with tear gas and water cannon.

More than 100 Shining Path rebels attacked a bus near the southern Andean city of Ayacucho, police said. The rebels robbed the passengers and burned the bus.

The guerrillas had declared a two-day "armed strike" beginning on Tuesday in Ayacucho, a departmental capital 230 miles south-east of Lima. The strike calls for total work stoppage and threatens violence against anyone who refuses to participate.

In the central Andean city of Huancayo, four Shining Path guerrillas shot dead a retired army officer, Andina, the state news agency, said.

Guerrilla violence in the Huaraz region, an area popular with mountain climbers and trekkers, has increased steadily since the Shining Path killed a British tourist in the area in May 1989.

More than 20,000 people have died in political violence since Shining Path took up arms in 1980. Most of the victims have been civilians, according to human rights groups.

## President Fujimori and the quiet Peruvian revolution

Sally Bowen on the shift towards regionalisation and the consequent erosion of presidential powers

WHEN Mr Alberto Fujimori became president of Peru on July 28 he inherited a country unlike that governed by any of his predecessors. "Alan Garcia was the last of the Peruvian monarchs," said the former president's political adviser. "A quiet revolution has taken place."

That revolution is regionalisation. Already the political map has been redrawn, with 11 new regional assemblies each having their own president. Congress may even decide to separate Lima from its port Callao.

Regionalisation has been on and off Peru's political agenda ever since the 1981 Constituent Assembly, but for more than half a century no real progress was made.

On the contrary, Lima's traditionally dominant role intensified. Today more than a third of Peru's 23 million inhabitants live there and the capital has more than half the country's civil servants, three-quarters of its savings and 98 per cent of all private investment.

Regionalisation was finally written into the 1979 constitution, and approved by Congress in 1987. "It was an attempt to break the stranglehold of two of Peru's traditional power groups - oligopolies and the centralist bureaucracy,"



according to Mr Ramon Leon Alegria, one of the principal architects of the process.

President Alan Garcia threw his weight behind the policy after his thwarted 1987 attempt to nationalise the banking sys-

tem. His defeat on that issue, he privately admits, graphically illustrated the weakness of the Peruvian state.

In his last few weeks of power, Mr Garcia increasingly spoke of regionalisation as the

crowning achievement of his administration. He toured the newly constituted regions, transferring central government assets and state-owned enterprises.

The oratory and the cheques went down well in the provinces, but Peruvians seem bemused by the speed with which events had overtaken them. Elections for five regional assemblies were held last November, with the remainder in April, but both were overshadowed by municipal and then general elections.

"No one took it seriously and the best people didn't stand," said one Arequipa assembly representative.

Controversially, around a third of assembly members are "delegates from representative institutions". These include peasant organisations, shanty towns and trade unions, as well as representatives from universities, law societies and chambers of commerce.

Critics charge that these delegates constitute a built-in left-wing element. Its proponents say this type of participation is the only way to achieve real democracy.

Pragmatism has required that new cross-party alliances be formed. In the southern regions, particularly, extreme left and right factions are working towards common goals: not always harmoni-

cously, but often for the first time. "It's easier to mix oil and water at regional level," said the Mariategui president.

Financing is the regions' primary concern. Central government payments invariably arrive late.

Some regions are already entering counter-trade agreements with neighbouring countries. For the Amazonas region, Brazil is a closer and more logical trading partner than Lima. The regional assembly in Iquitos plans to trade part of its petroleum for Brazilian cooking oil and margarine. And drought-stricken Arequipa is proposing to swap cheese and canned milk for Bolivian cattle fodder.

Some critics say regionalisation is a purely administrative change. Regions' power to legislate or raise local taxes is subject to congressional approval, as is their ability to contract external debt. But 60 per cent of government revenue will now be managed outside Lima. Ministries in the capital will set norms but the regions will execute policy.

However, most assemblies see the arrival of Mr Fujimori's government as a threat to the gradual evolution of regional independence. Because of Mr Fujimori's exceptionally late election rise, his party is entirely without regional representation.

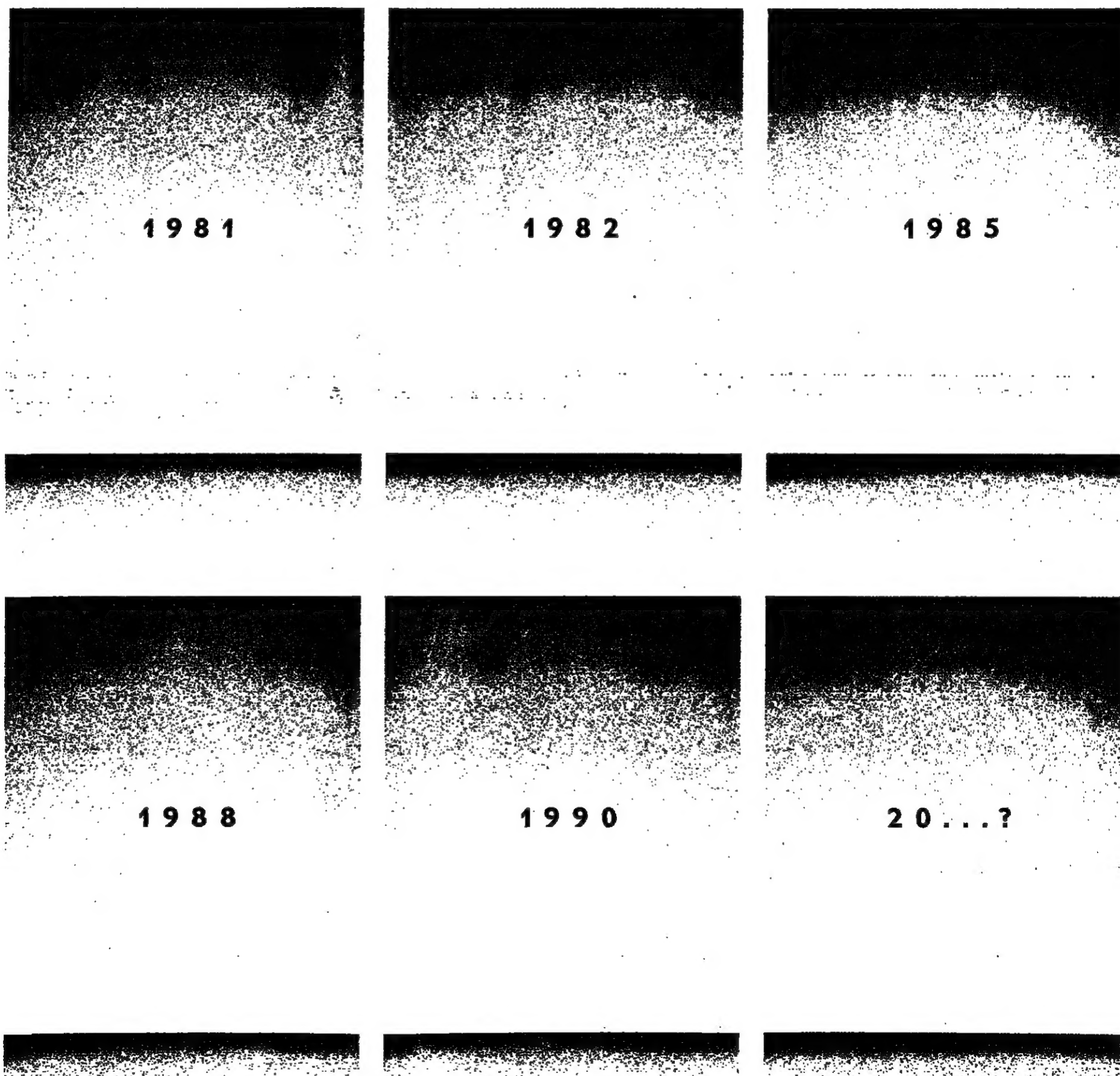
Mr Fujimori pays lip-service to regionalisation. But in his first months of government, he has enraged the regions with three decrees: cutting the percentage of revenue due to the regions from natural resources extracted there; halting the formation of a unified regional development banking system; and curbing regional powers to award local mining concessions.

Worse still, he has failed to convene the monthly meetings of the Presidential Commission on Regionalisation and has disbanded the National Planning Institute, the only co-ordinating body for the process.

Premier Juan Carlos Hurtado Miller says this does not indicate hostility to regionalisation, but rather "a curb on actions carried out very precipitately".

Mr Leon Alegria dismisses this: "Centralists have been saying for a hundred years that we aren't ready, it's not perfect, we haven't got the funds. Now the people's expectations are raised, any frustration could cause a real crisis."

Several regions have already called token strikes in protest at what they see as threats to their new-found semi-independence. Anyone who sets foot outside Lima hears one phrase repeated like a refrain: "Regionalisation is irreversible."



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## UK NEWS

# Rover offer of 11% dashes pay restraint hopes

By Michael Cassell, Michael Smith and Paul Cheeseright

EFFORTS by ministers and industry leaders to restrain the level of British pay settlements suffered a blow yesterday when Rover, the car manufacturer, offered manual workers an 11 per cent deal.

News of one of the highest "no strings" offers negotiated by any UK employer this year coincided with a stark warning from the Confederation of British Industry that unemployment in Britain could rise by a million in a year unless "good sense" prevailed during pay negotiations.

The Rover announcement came the day after Mr John Major, the chancellor, renewed his recent calls for a "cultural change" among wage negotiators, following Britain's entry into the ERM. Last week, he predicted redundancies and company failures unless attitudes altered.

Details of the offer were not well received within the Treasury, which is resigned to both sides in the pay process taking time to realise that there is no longer any prospect of devaluation helping to bail out uncompetitive companies.

Last year about a third of

Rover's 467,000 vehicles were exported.

If the 30,000 manual workers accept the union negotiators' advice to take up the deal, pay in year two will rise by 7.5 per cent.

Rover shrugged off suggestions that the offer was inflationary, insisting that the increases had to be seen over two years.

The company said earlier pay deals at Rover had caused its production workers to drop down the car workers' pay league, a factor which had been taken into account during the negotiations. Higher productivity bonuses would raise productivity, he added.

Under the proposed deal, consolidation of bonuses, together with changes to holiday entitlement and shift premiums, will take the cost of the package even higher.

In pay deals negotiated this year, few employers have breached the 11 per cent barrier. It is almost certain to have an influence on other pay negotiations, particularly those in the west Midlands and those involving other motor-related companies.

## Polly Peck board meets over crisis

By David Barchard and Richard Waters

THE BOARD of Polly Peck International was meeting in London last night after Mr Asil Nadir, chairman, flew back from Istanbul amid few indications that he had obtained the \$30m in cash needed to save the group from immediate administration.

Before leaving Istanbul, Mr Nadir issued a defiant statement in Turkish but gave no clue about whether he had found any new cash in Cyprus or Turkey.

He promised to go on fighting for his three main Turkish operations, Meyna, Polly Peck's fruit and vegetable export business, Vestel Elektronik, its consumer electronics business, and the newly-opened Sheraton Voyager Hotel in Antalya.

"These investments of ours will be specially protected from external interference and there is no question of their being financially affected by events in London," Mr Nadir said.

In London, members on the steering committee of banks said they had not heard whether Mr Nadir had succeeded in having any cash paid to the UK from the banks with which it is said to be deposited in northern Cyprus. Audit, Page 30

## CHILD BENEFIT

# Government tries to soften impact of freeze

By Ralph Atkins and Alan Pike

AN EXTRA pound for all families was announced yesterday by Mr Tony Newton, social security secretary, as part of a package aimed at calming the political row over child benefit ahead of the next election.

The increase in child benefit for the eldest child in nearly 7m families softened the impact of a freeze for subsequent children at \$7.25 - a rate that has not changed for four years.

Mr Newton's announcement followed a week of speculation and apparent government disarray over the future of child benefit. Mrs Margaret Thatcher prompted accusations of "panicking" after holding an hour-

long meeting on Monday with Mr Newton and Mr Norman Lamont, chief secretary to the Treasury.

In the House of Commons, however, Mr Newton said his proposals had been agreed with the Treasury almost two weeks ago and before the Conservative's suffered a humiliating defeat in the Eastbourne by-election.

He rebuffed right-wing Conservative MPs - particularly the "No Turning Back Group" who have questioned whether child benefit should remain, saying it "is, and will remain, a strong element in our policies for family support". Mr Newton won limited support from

Conservative MPs for his announcement but several made clear that they would have overall increases for all children.

The package which up-rated many benefits in line with inflation and increased support for people in residential care and nursing homes, will cost the government an extra \$2.5bn. Mr Newton also announced his intention to reduce employers' National Insurance contributions by at least a quarter of a per cent at lower rates and by 0.05 per cent at the standard rate.

Mr Michael Meacher, the opposition Labour spokesman on social security, said the

extra pound, which will cost \$250m, was a "mere figleaf" to cover the government's policy of freezing child benefit and a direct response to the Eastbourne by-election. Mr Archy Kirkwood, the Liberal Democrats spokesman, said it was a "miserly change".

Child welfare organisations were also disappointed. Charles involved in the Save Child Benefit campaign generally thought that the \$1 extra was a poor second best to uprating.

Mr Ian Sparks, director of the Children's Society, said he was still not convinced that the government was "behind the principle of child benefit". Mr Newton said the "very

substantial increases" for those in residential care and nursing homes, which would cost \$220m, reflected steep rises in the cost of nursing homes.

But he announced freezes in some levels of statutory sick pay to take account of the growth in occupational sick pay schemes. The lower of the two statutory sick pay rates would be up-rated fully but the higher rate would be unchanged at \$52.50.

There would also be changes in the way employers are reimbursed for their expenditure on sick pay accompanied by off-setting reductions in the rates of employers' national insurance contributions.

## European Community offers mixed payment levels

By Ian Hargreaves

BRITAIN'S system of child support is simpler than that of several other European Community countries and about average in its level of generosity. Straightforward comparisons are difficult, but have been attempted in a UK study published this year.

France makes universal and means-tested benefits and is designed to encourage larger families, with no payment for the first child and an increasing rate per child in larger families. Child tax allowances also exist.

Germany combines flat and means-tested benefits with child tax allowances and a tax credit mechanism to

help non-taxpaying families. The system has been reformed several times in the past 15 years. A recent feature is a child-rearing universal benefit payable to mothers or fathers who stay at home for six months following a child's birth.

Italy, since 1987 has had a means-tested benefit with 15 levels of payment. Payments per child are higher in larger families. Child tax allowances also exist at flat rates.

Spain: both basic benefits and tax allowances are available, but at relatively low rates. Larger families attract larger per child benefits.

Greece: has a four-tier income test for benefits and tax allowances for the first two children only.

Ireland: similar to the UK, with a basic, flat-rate benefit at a rate lower than UK child benefit, but increases for families with six or more children.

Portugal: has benefit and tax allowances, but pays a higher rate of benefit for the third and subsequent child only where family income is less than 1.5 times the minimum guaranteed wage.

Belgium: has relatively high basic benefits, which increase with family size. There is also a supplement related to the age of children, with higher pay-

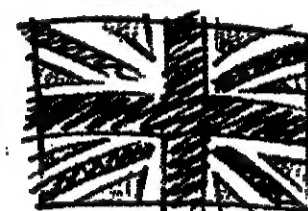
ments for 6 to 11-year-olds and still higher figures for 12 to 15s and over 16s.

Luxembourg: offers a generous mixture of benefits and tax allowances, also skewed in favour of larger families.

The Netherlands: a non-taxable benefit is paid, weighted in favour of larger families and with higher payments for older children. These benefits, introduced in the early 1980s, are seen as a substitute for tax allowances.

Child Benefit options for the 1990s. Joan C. Brown. 1-5 Bath St. London, EC1V 3PF. £5.

## BRITAIN IN BRIEF



### US team to aid Hoover profit drive

American owners of Hoover are flying in a "special task force" to Merthyr Tydfil, Wales, European headquarters of the domestic-appliance concern, in a hands-on move to bring the company back into profitability. The team began work on November 1.

Mr Daniel J. Kruman, chairman and chief executive officer of Maytag, which bought Hoover in a \$500m deal two years ago from Chicago Pacific, said in Iowa, USA, that the special group would draw up a plan for "the rebirth, rejuvenation, stability and a return to profitability" of Hoover's British operations.

Mr Ian Bonnar, the company's associate director of manufacturing, said yesterday the company was "not losing money".

### Rothermere looks to TV

Lord Rothermere's Associated Newspapers, publisher of the Daily Mail, is planning a return to commercial television in the UK after an absence of 10 years.

The company intends to bid for stakes in commercial television and national radio networks as part of a gradual expansion away from its newspaper and magazine base into television and radio programme production.

Lord Rothermere confirmed that he was in negotiations with a consortium planning to bid for a major ITV franchise when commercial television licences are put out to competitive tender next year.

### Electricity profits warning

Warnings about the vulnerability of electricity company profits are contained in a draft of the industry's privatisation prospectus which was leaked to Friends of the Earth, the environmental group.

The warnings point to the possible adverse impact on the industry of moves towards the more efficient use of energy and stress the volatility of the final supply business of the regional electricity companies.

The 127-page draft says a tax on fossil fuels and other anti-pollution measures may in future "affect the competitive position of electricity in relation to other energy sources and hence the pricing considerations of individual electricity suppliers."

### Building gloom as orders fall

The recession in the construction industry deepened during the three months to the end of August as orders awaited to

contractors fell sharply. Figures from the Environment Department showed that total orders won by contractors in Great Britain fell by 8 per cent during June, July and August compared with the previous three months.

### Five face court on tunnel death

Five British firms building the Channel tunnel were committed for trial on charges relating to the death of a construction worker.

The firms Balfour Beatty Construction Ltd, Costain Civil Engineering Ltd, Tarmac Construction Ltd, Taylor Woodrow Construction Ltd and Wimpey Major Projects Ltd - are being prosecuted following investigations into the death of Gary Woodward, 32, crushed in the tunnel a year ago.

### Dissatisfaction over health care

Consumer satisfaction with the UK's health care system is low by international standards, according to a survey by the Harris Research Centre.

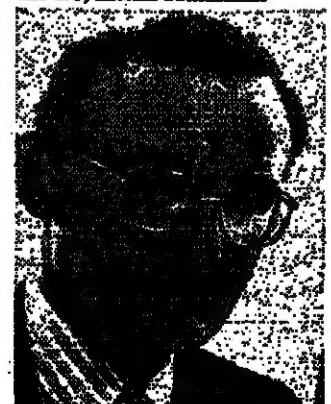
The study says 55 per cent of those surveyed believed that the system worked well. Only the US and Italy rated lower than the UK in the table of consumer satisfaction. Canada came top, with 66 per cent believing that its health system worked well, followed by the Netherlands, France and Germany.

### Pollution levels to be broadcast

Traffic pollution levels in towns, cities and the countryside are to become a regular feature of weather bulletins. The government has announced. Air quality will be designated "very good", "good", "poor" or "very poor", depending on the amount of exhaust and industrial fumes in the air.

### Shipyards face German threat

Excess shipbuilding capacity in east Germany, now part of the EC, means redundant



Douglas Hogg, warning yards in Sunderland in north-east England are unlikely to be reopened. Mr Douglas Hogg, minister for industry, has said.

He defended British Shipbuilders' decision to auction the yard's plant and equipment next month before selling the site to the Tyne and Wear Development Corporation. Mr Hogg said EC regulations meant no shipbuilding could take place in the yard for the next nine years and surplus capacity in the EC made it unlikely this decision would be reversed.

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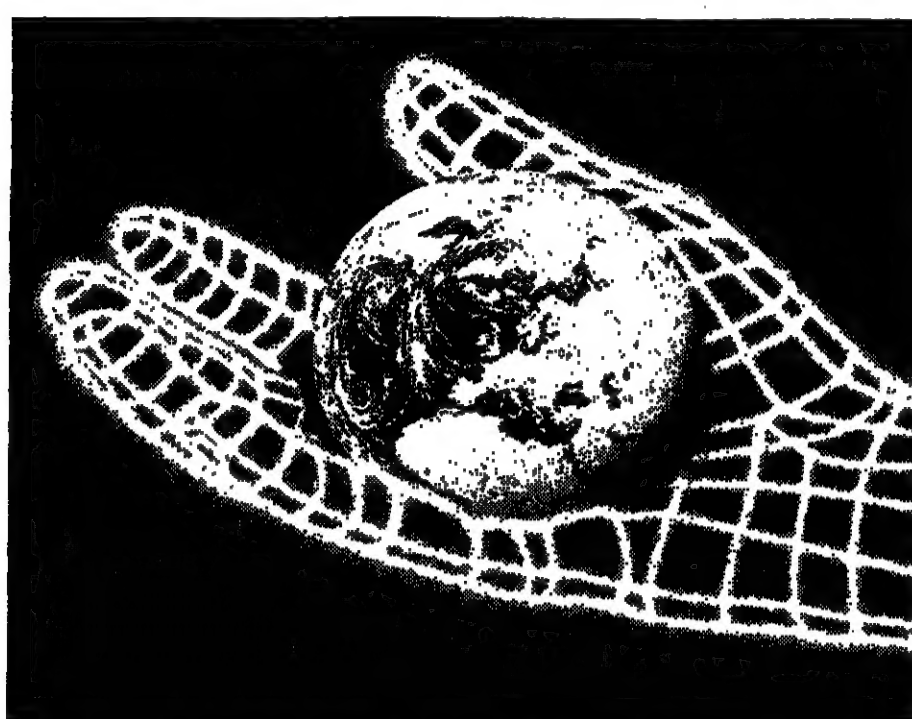
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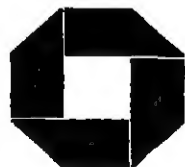
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## UK NEWS

# Bae to face competition on orders for new missile

By David White, Defence Correspondent

THE BRITISH government is to make British Aerospace (BAe) face competition for a new air-to-air missile, for which the company has up to now been the sole contender.

The original BAe-led project, the Advanced Short-Range Air-to-Air Missile (Asraam), will have to compete for the contract, estimated to be worth £700m-£800m, against a rival bid from GEC-Marconi in collaboration with Matra, the French missile producer.

The potential market for the successful missile in other countries including the US would be significantly larger. The weapon is intended as a successor to the widely-used American Sidewinder.

The government's decision comes as a blow to BAe, whose plan to form a European missile group with Thomson-CSF of France was referred to the Monopolies and Mergers Commission last month.

It follows a series of troubles with the Asraam project, conceived as the European side of a US-European programme for a new generation of weapons to equip Nato fighter aircraft.

Despite a squeeze on the Ministry of Defence's equipment spending, Mr Alan Clark, minister of state for defence procurement, confirmed the

RAF's staff requirement for a new short-range missile in a written parliamentary reply this week. But he said the contract would be decided on a competitive basis.

The US, Britain and Germany signed a memorandum of understanding 10 years ago, under which the US would develop a medium-range missile and the Europeans would work on a short-range missile.

Each side would be committed to buying the other's missile and might also manufacture it.

Responsibility for the short-range Asraam project was switched from Germany to the UK in 1983, and last year the Germans pulled out.

UK officials have been struggling to keep the original agreement alive and to guarantee a US market for the British-led missile. However, delays in the Asraam project have incurred strong US Air Force criticism, and it is feared that Washington might declare the agreement void on the grounds that the missile will not be fully operational by 1994.

BAe and GEC-Marconi are expected to be asked to submit proposals next month and to place formal bids in March for a UK government decision later next year. BAe put forward a revised proposal at the beginning of this year, reducing the price for development and initial production from a past estimate of about £1bn.

BAe has been discussing participation in Asraam by Hughes Aircraft of the US, replacing the Germans as supplier of the weapon's seeker head. Hughes, a General Motors subsidiary, is prime contractor for the US programme, the Advanced Medium-Range Air-to-Air Missile (Amdram).

The MoD has said it will consider all bids complying with the 1980 memorandum of understanding. It is understood to have confirmed to GEC-Marconi that proposal, based on the French Mica missile, meets these criteria.

France is developing this missile with two seeker systems to cover both close-range and longer-range combat. But the Marconi-Matra contender for the British project would be remodelled to meet the shorter-range requirement only, with an infra-red seeker.

GEC-Marconi's ambition to contest the Asraam project emerged this summer. GEC-Marconi has long been the main supplier of guidance systems for BAe missiles.

## Royal Navy considers 'radical' cuts

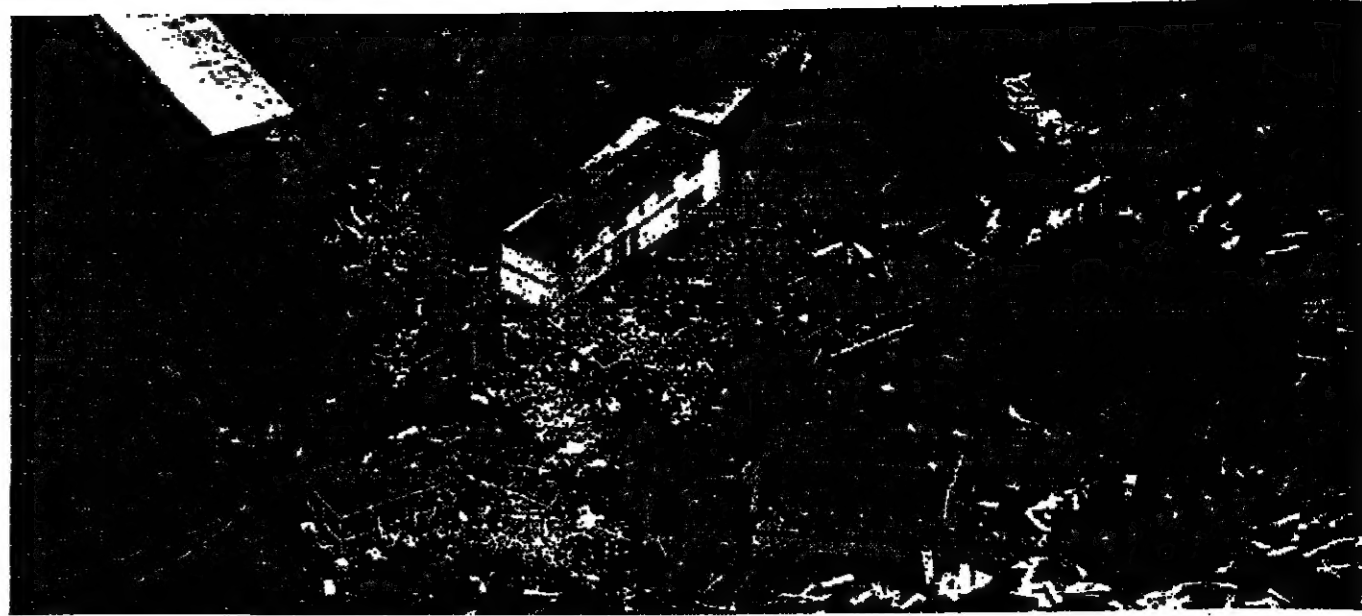
THE ROYAL Navy is studying "radical and tough" proposals for streamlining support operations, including dockyards and naval bases, according to Vice Admiral Sir Jack Slater, Chief of Fleet Support.

He would not give details of the kind of cuts under consideration but said: "Nothing is sacrosanct."

A plan would be ready in about six months, he said. Among the decisions to be made was how much refit and repair work should be given to the Royal Dockyards in order to maintain their "strategic capacity", and how much should be farmed out to commercial contractors.

The UK's remaining government-owned naval dockyards are Devonport near Plymouth and Rosyth on the Firth of Forth, both run under private-sector management since 1987, and the Navy's own fleet maintenance facility at Portsmouth, in south-west England.

Under the private-management plan, the Ministry of Defence proposed to put 30 per cent of its "core programme" of naval repair and refit work out to open competition, increasing the proportion to 30 per cent at the end of seven years. Up to now competitive contracts have mainly involved ships of the Royal Fleet Auxiliary (RFA).



The scene of yesterday's massive car bomb attack in Londonderry which killed five soldiers and one civilian

## IRA condemned over hostage bomb killings

By Ralph Atkins and Our Belfast Correspondent

MR PETER BROOKE, the Northern Ireland secretary, said the IRA had "sunk to new levels of depravity by using people, whose families have been held hostage, as human bombs" in yesterday's two attacks in which six soldiers were killed.

Five of the soldiers, all members of the King's Regiment, died when a car bomb was driven into the check-point at Buncrana Road, Londonderry. The man ordered by the IRA to

drive the bomb to its target is missing but police later confirmed that an unidentified body had been found at the scene.

Another six soldiers were seriously hurt in the attack and more than 20 civilians were treated for injuries. The other soldier, a member of the Royal Irish Rangers, was killed in a similar attack at the check-point on the main Belfast-Dublin road, near Newry. In that incident, the man

forced to drive the bomb to the check-point suffered a broken leg when he jumped from the van and shouted a warning seconds before the blast.

In a third car bomb attack on a Tyrone army base, police said the driver was strapped to the seat to prevent him getting away. The man drove the bomb to the Omagh base and managed to wriggle free before a small explosion, believed to have been caused by the detonator, went off.

Admitting responsibility for the attacks, the IRA claimed the men ordered to drive the vehicles containing the bombs had carried out work for the security forces.

The murders were condemned by all the province's main political parties with the exception of Sinn Féin, the IRA's political wing.

Police in the Irish Republic are questioning seven men in connection with the Londonderry bomb explosion.

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flight. And even at the design and production stages of our aircraft, we leave nothing to chance. On the new 747-400, our technical teams carry out over 1,000 additional checks on top of the manufacturer's own quality control. To illustrate our quality level in another way: just imagine that behind every second seat on a Lufthansa plane, there's a Lufthansa technician. It's when you realize you have that much perfection behind you that you can really explain the good feeling of flying Lufthansa.



**Lufthansa**

## Hurd 'agonises' over use of force in Gulf

By Ivor Owen, Parliamentary Correspondent

MR Douglas Hurd, the foreign secretary, yesterday made a tacit admission that western leaders were agonising over how much longer the use of force to expel Iraq from Kuwait could be delayed.

While reaffirming that the government continued to hope that the tightening of sanctions would secure Iraq's "complete and unconditional" withdrawal he said the situation could not be allowed to drag on in its present state indefinitely.

Mr Hurd, speaking in the House of Commons, refused to set a deadline for sanctions to prove effective, but accepted that at some stage the US, Britain, and the other nations involved would have to take a view on the prospects.

He said the military option could not be discarded, and that it had to be seen as a

"reality" if the peaceful pressures to reverse Iraq's aggression were to succeed.

Mr Gerald Kaufman, the opposition spokesman on foreign affairs, renewed Labour's backing for the implementation of the resolutions approved by the United Nations Security Council requiring Iraq to withdraw unconditionally from Kuwait.

There was praise from both sides of the House for the role played by Mr Edward Heath, the former Conservative prime minister, in securing the release of sick and elderly British hostages from Iraq.

Mr Hurd said it was "regrettable" that the Iraqis should set about deciding who was so sick and so old that they should be released from a position in which no human being should ever have been placed.

## Executives consider benefits of buy-outs

By Charles Batchelor

MANAGERS who stage buy-outs need to be tough because they will be faced with taking rapid and unpleasant decisions to make their businesses more profitable, Mr Antony Hitchens, chairman of J J Lovell (Holdings) told the Financial Times conference on buy-outs in London yesterday.

But once the buy-out has been completed, there are often "astonishing" opportunities to cut working capital without damaging the business. Capital spending could also be halted for three to four years in many businesses without damage, to allow the buy-out finance to be repaid, Mr Hitchens said.

Most businesses had "nuggets of value" which were worth more to other companies than the buy-out management. Managers should beware however of selling off parts of their business which fitted in with their long term plans and which could increase the value of the overall business on flotation or sale, Mr Hitchens said.

There was no prospect of mezzanine finance being offered in a securitised or tradable form in the UK, Mr James Odgers director of Intermediate Capital Group, said. There were not enough buy-out deals of sufficient size and mezzanine finance was not sufficiently standardised for it to be offered for sale in the same way as junk bonds had been sold in the US.

Mr Odgers stressed differences between UK and mezzanine finance and US junk bonds. Before the collapse of the US junk bond market these bonds had begun assuming the risks attached to equity without equity returns, he noted.

The more cautious approach by banks and other lenders has made it impossible to finance highly leveraged buy-outs in the UK, according to Mr Roger Brooke, chief executive of Candover Investments. Deal makers now talked of UBOs - unleveraged buy-outs - he noted.

Despite this, Candover had completed more deals this year than in any other in the past 10 years. Prices were becoming more reasonable and managers were learning to accept smaller amounts of equity.

Mr Brooke forecast a revival of "agreed de-listings" of quoted companies despite objections from institutions to

**FT**  
CONFERENCE  
BUY-OUTS  
THEIR FUTURE

this sort of deal. Candover was looking at two or three such transactions, he said.

Optimism about prospects for leveraged buy-outs in the US was expressed by Mr Charles Ames, of Clayton & Dubilier, a US buy-out investor. There were still under-performing businesses available; prices were more reasonable, and there was a growing emphasis on the need for US corporations to focus their activities.

A major weakness of many companies was their lack of market focus, he said. Many claimed to be market driven but they lacked a deep understanding of their customers' needs.

Nu-Kote International, formerly the business supplies and forms division of Burroughs, had improved revenues and gross margins by streamlining marketing, said Mr Hubbard Howe, chief executive.

After the buy-out, Nu-Kote had concentrated on improving its service to wholesalers by helping their customers order with greater accuracy and by reducing the stocks wholesalers needed to hold. Buy-out investors who understood operations would win out over those who took a financial approach, said Mr Howe.

In Germany, management buy-outs have been regarded as exceptional, if not exotic though prospects for an increase in numbers are improving, said Mr Bernd Fahrholz, head of corporate finance at Dresdnerbank.

Many of the 20,000 medium sized German companies had succession problems while in East Germany, 8,000 formerly state owned companies were potentially available for privatisation.

Buy-outs were one way of maintaining the diversity and flexibility of German industry, he said.



# In the shadow of Vesuvius

View of Naples  
from Baroque to Romanticism

London, 26th October - 27th November 1990  
Accademia Italiana delle Arti e delle Arti Applicate  
24, Rutland Gate, London SW7

The exhibition «In the Shadow of Vesuvius», sponsored by IRI, was originally held in Naples between May and July this year and was highly acclaimed.

The exhibition is now in London, and this is certainly no coincidence.

The original exhibition focused on the connection between Naples and the many foreign artists who visited the city, many of whom were British. Naples, the capital of the Kingdom of the Two Sicilies, was renowned for encouraging the spreading and exchange of culture across its borders, as a great European capital should do.

IRI, the largest conglomerate in Italy, has been operating in Naples for a long time in a wide range of activities - electronics, information technology, shipbuilding, steelworks, telecommunications, transport. The sponsorship by the IRI Group of both the Naples and London exhibitions testifies on one hand, the desire to preserve the history of this great city and, on the other, an international commitment, made even more timely by the fast approaching European Single Market.

The very theme of the exhibition - great «views» of the city and bay - involves insight into the relationship between man and nature, city and country, man and history, great architecture and back alleyways, all of which are part and parcel of today's new-found love of «the land».

Naples in the 18th century, and especially at the turn of

that century, was home to an Anglo-Italian society set in the fertile cosmopolitan cultural climate of the Enlightenment.

The links between Britain and the Kingdom of Naples were not only artistic; there were strong commercial connections too. Naples was the farthest point south on the Grand Tour for many rich young travellers. These connections were born of the extraordinary progress achieved in the British textile industry and in the field of mechanics, which were to contribute to the beginnings of modern industry in Southern Italy in the early decades of the 19th century, and to Italy's first railway line, full of symbolic importance, which linked Naples and Portici.

The works gathered in this exhibition enable us to revisit the Neapolitan history, both high and popular cultures, in the warm and luminous tones of landscapes now world-famous. First and foremost though, these works stand to signify the heartfelt wish of the IRI Group, that the great European market will be a perfect occasion to renew the traditional bonds of friendship between our two countries.

*Franco Nobili*

Franco Nobili  
Chairman of IRI

The exhibition will be opened  
by the President of the Italian Republic  
in the presence of H. R. H. the Princess of Wales



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## MANAGEMENT: Marketing and Advertising

## Trends in UK drinks

## The froth on the flat beer market

Despite a recent slow-down, no-alcohol/low-alcohol lager is the only sector with growth potential. Philip Rawstorne reports

A drastic reduction in the number of brands of no-alcohol/low-alcohol beers - so-called nablads - during the next few years is now being widely predicted in the UK brewing industry. Brands proliferated during the heady growth years of the late 1980s. More than 50 were launched in 1988-89. But the sector is now losing some of its froth. Volume growth slowed last year to 30 per cent after more than doubling in each of the two previous years.

The nablad market - estimated by the Economist Intelligence Unit in 1989 at 640,000 330-gram bottles, 1.6 per cent of the total beer market and worth £180m in retail sales - looks likely to be increasingly dominated in the 1990s by four or five heavily-promoted products.

Costly advertising campaigns have been a feature of the rapid growth in nablads consumption from one pint in every 1,000 pints of beer in 1984 to more than one in every 100 last year.

Spending on television, press, and radio advertising of nablads has averaged 5p a pint compared with less than 1p a pint for full strength beers - one of the reasons, together with higher production costs, why the retail price has not reflected the savings on alcohol duty.

Advertising has undoubtedly helped to make nablads more widely acceptable, particularly among younger, style-conscious consumers. Few could have foreseen some 10 years ago that such products would gain consumer acceptance on the present scale.

When Barbian, the Basewell no-alcohol lager, was introduced by Britvic Soft Drinks in 1979, it was regarded as a bit of a joke by a largely unresponsive market. But the brewer correctly anticipated changes in consumer attitudes to alcohol and health, and to drinking and driving during the 1980s and Barbian survives today as one of the major

brands in the sector. Several low-alcohol lagers were launched during the early 1980s but, by 1985, nablads sales still only amounted to 70,000 barrels, worth some £15m, and a mere 0.2 per cent of total beer sales. The negative image of the products, seen as poor imitations of full-strength beers, "distress purchases" made to avoid drink-driving risks, was an obstacle to growth.

The market was given a substantial boost in 1986 with the launch of Kaliber, an alcohol-free lager, by Guinness. Some £1m was poured into marketing it as a serious drink to be consumed for its own sake; any obvious connection with drink driving was avoided. Kaliber's image helped to raise the credibility of the nablads sector as a whole.

New brands then poured into the nablad sector. Low-alcohol lager pioneers such as Danish Light and Dansk LA from Denmark, and Clausthaler from Germany, were joined by Swan Light from Allied-Lyons, and Tennent's LA from Bass. Whitbread introduced White Label, a low-alcohol bitter, in 1987, and a host of others, including alcohol-free bitters from Guinness and Bass, followed in the next two years.

Of the £10.5m spent on television, press and radio advertising last year, three brands - Tennent's LA (£2.1m), Kaliber (£2.4m) and White Label (£1.75m) - accounted for around 70 per cent.

Tennent's LA - helped by its association with the Tennent's brand of full strength lagers as well as the Bass pub estate - leads the nablad sector as a whole. Swan Light is the second best-selling low alcohol lager.

Kaliber and Barbian dominate the no-alcohol beer market. Whitbread's White Label is gaining an increasingly firm grip on the low-alcohol bitter sector.

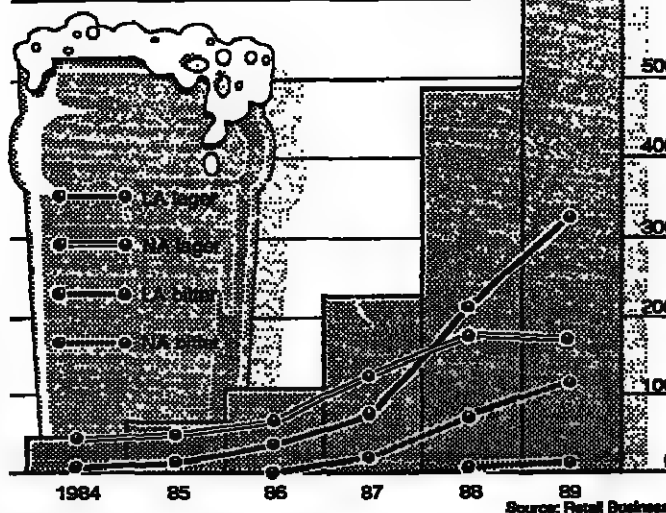
Despite the slowing growth rate nablads still offer the brewers of these principal brands a lucrative source of

## UK non/low alcoholic beer sales

by segment

TOTALS

(000 bulk barrels per day)



Source: Retail Business

profit that is worth fighting for in the 1990s.

The sector is expected to be one of the most dynamic in a virtually static beer market. The EIU survey forecast that sales of nablads would rise to £550m by 1995, and would reach £850m by the turn of the century. Total volumes would increase to 2m barrels by 1995, and 3m barrels (or 7 per cent of total beer consumption) by the end of the decade.

Other research agencies are more cautious. Mintel estimates growth for the 1990s to 1.6m barrels; Henley Centre for Forecasting has lowered its initial euphoric estimates to 1.3m barrels.

The brewers themselves are even more sober in their calculations. Whitbread suggests annual growth of around 5 per cent, producing a market for 1m barrels by the year 2000.

With the market in such an early stage of development - six out of 10 adults have not yet tried any nablads, according to the EIU - it would seem that lower-strength beers will continue to benefit from further changes in attitudes towards alcohol, health, and social responsibility.

Drink/driving remains the major reason for buying nablads, but the efforts of the brewers to promote wider acceptance does seem to be finding an increasingly receptive response from the health-conscious.

Much will depend on continuing improvements in the taste of the products. The Campaign for Real Ale was scathing in its verdict on most brands tested in 1988 and only 7 per cent of consumers,

according to the EIU survey, prefer the taste of nablads to that of any other drink. But quality has improved with better brewing techniques, and some early brands have been reformulated.

The retention of some alcohol is generally considered to make it easier to replicate the authentic taste of the full-strength product. Most of last year's growth in the sector was accounted for by low-alcohol bitter (the most recent entrant to the market) and low alcohol lager, and together they now form 70 per cent of volume sales.

Many in the brewing industry believe that the low-alcohol products will continue to increase their market dominance, especially as the big brewers' products, Bass's Tennent's LA lager and Whitbread's White Label low-alcohol bitter become more widely available on draught.

However, the battle with the alcohol-free beers, Kaliber and Barbian, is not over yet. Consumer awareness of the strengths of beers is very low.

Guinness discovered in a survey last year that half of all respondents thought there was no difference between low alcohol (less than 1.2 per cent alcohol by volume) and no alcohol (less than 0.05 abv) products.

The success of the alcohol-free beers in stalling the decline in their market share may turn on their ability to raise consumer awareness of the distinction. Guinness's advertising is already being geared to the proposition that the Kaliber drinker need have no concerns about the amount he drinks.

## Telephone services

## When help is just a call away

Legal expenses insurance has grown over the past decade, reports Richard Lapper. Now individual and corporate policy-holders are being offered stress-counselling

You can do amazing things at the end of a telephone. So says Jim Collett, manager of professional and advisory services at Legal Protection Group, the legal expenses insurance subsidiary of Sun Alliance.

Telephone marketing has already had an appreciable impact on motor and home insurance. With the proliferation of special advice and help lines insurers are cashing in on both potential marketing advantages and the way that the lines can help reduce the cost of insurance claims.

Recently a subsidiary of Royal Insurance set up what it calls a "telephone stress care service" - a commercial " Samaritans" service - which it hopes will be bought by, among others, employers hoping to reduce the cost of stress-related absenteeism and illnesses to their business.

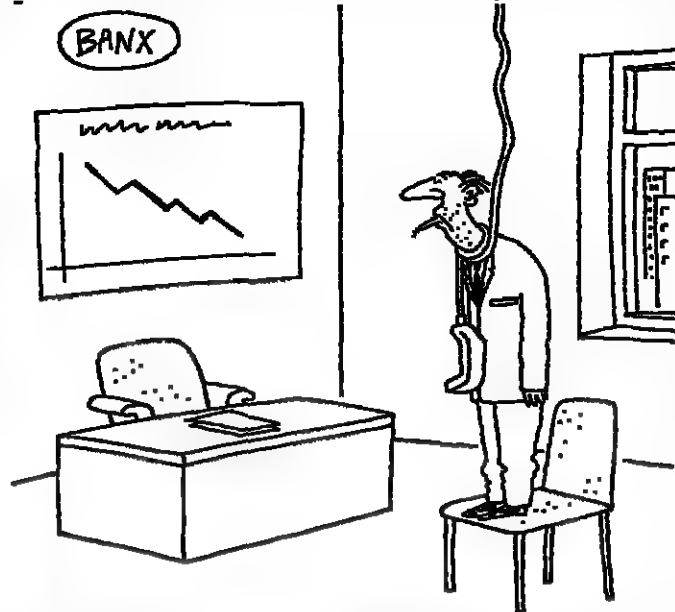
Telephone marketing is now an established feature of the insurance scene in Britain. Selling policies by phone allows insurers to cut out the costs of selling through brokers.

Motorists, for instance, have been able to obtain their insurance over the phone for over three years with Direct Line, the insurance arm of the Royal Bank of Scotland, Churchill, a subsidiary of Winterthur, the Swiss insurer, as well as general insurers like Royal Insurance and General Accident.

Over the past year telephone sales have been extended into the home buildings and contents area.

Legal expenses insurers have pioneered the help and advice lines. Legal Protection Group, like other insurers active in the UK's growing legal expenses insurance market, offers policy-holders a telephone-based legal advice service on matters ranging from how to manage a dispute with a neighbour to counselling on personal debts.

Legal expenses insurers, which provide cover for the costs incurred in taking legal action, started telephone-based legal advice services in the early 1980s. All players in the market - including Legal Protection group, CareAssist,



Hambros, Cornhill and DAS - offer the service to their policy-holders in a market worth between £45m and £50m a year in premium income.

Two companies - DAS and Cornhill - are German, the latter being the UK subsidiary of Allianz; legal expenses insurance was originally developed in West Germany.

When CareAssist, then trading as an independent company but now part of Royal Insurance, introduced its service, it did so as a way of controlling the number and cost of claims lodged under legal expenses policies. CareAssist found that policy-holders undertook legal action unnecessarily and - from an insurer's point of view - expensively.

The telephone service was conceived as a way of "nipping problems in the bud", says David Easley, product strategy manager. "Sometimes potential legal problems can be solved simply by making people more aware of their rights," Collett says that another advantage is that LPGA's advice line has been a good way of keeping in touch with policy-holders.

Leading legal expenses insurers sell the service either as part of an insurance policy or independently to employees, which can offer it to employees

as an employee benefit, or to banks, which use it to enhance the value of their own products. A handful of trade unions and professional organisations also buy the service and offer it as a benefit to members.

Collett says small businesses in particular are frequent users of his own company's legal advice line. He says the fact that legal advice is available on tap 24 hours a day can be especially attractive for businesses with pressing problems which may not fit into a solicitor's 9 to 5 schedule.

General Accident launched a help-line for all its personal policy-holders last year, which it claims can take care of all the practical elements of a claim just from one phone call. If your car breaks down, the help-line handles everything from sending a breakdown vehicle to providing a hire car.

When the service was launched in July 1989, the centre, based in Hamilton, Strathclyde, employed 16 people. It has lately been recruiting 1,600 calls a day and GA plans to increase the staff to 50 by the end of the year.

Last week CareAssist, a subsidiary of Royal Insurance, the UK insurer, launched Britain's first commercial telephone-based stress counselling service. The service, which could

be linked to employers' liability or medical expenses insurance policies, is designed to deal confidentially with stress problems ranging from difficulties at work to marital break-up. Insurers are also examining the possibility of offering medical advice over the phone.

CareAssist's new product - called StressCare - aims to reduce the incidence of stress-related problems like absenteeism and occupational illnesses. A recent CBI study concluded that stress-related illnesses contributed to annual losses of £5bn a year.

CareAssist employs a team of trained counsellors who are on hand to talk to employees through stress problems before they develop into crises. The scheme could be incorporated into employers' liability or medical expenses insurance policies and made available to policy-holders. Alternatively, employers and trade unions can buy in the service - at an annual fee of around £5,000 for a company with 1,000 employees. The 40,000 strong Professional Association of Teachers is the first body to purchase the service.

A number of commercial stress-counselling services have been developed in the US, partly designed to limit the number and size of insurance costs. Most existing schemes - both in the US and the UK - are based on face-to-face rather than telephone contact with counsellors in the employer's premises.

In the UK, stress-counselling services operated by Personal Performance Consultants (owned by Willis Faber and the US company PFC) and Focus (originally part of the Whitbread Group) are of this type. There is some controversy about the relative merits of the two types of counselling. Alastair Anderson of PFC says that telephone counselling can have only a marginal impact. He is also critical of the level of expertise of telephone counsellors. Stephen Maunton, managing director of CareAssist, says face-to-face schemes are much under-used and that the element of confidentiality inherent in the telephone scheme should help improve take-up.



## JF Pacific Warrant Company S.A.

ANNUAL RESULTS TO 30TH JUNE 1990\*

• Net Assets at 30/6/90	US\$79.4m
• Increase in Net Asset per Ordinary Share (Sterling)	+3.5%
(US\$)	+16.5%
• Increase in Ordinary Share Price (Sterling)	+20.4%
(US\$)	+35.5%
• Increase in Preference Share Price (Sterling)	+2.8%
(US\$)	+15.81%

## Extracts From Chairman's Statement

"Your Company's portfolio over the past year has produced satisfactory results, in spite of the recent turbulence in the Japanese market. The Company's net asset value and price per share both rose last year whilst the Tokyo Stock Exchange Index declined by 19.8% in sterling terms.

The Japanese warrant market itself continued to expand during the first half year providing the Investment Advisers with a wider choice of company names and better marketability.

New warrant markets emerged this year in Thailand, Malaysia, and Korea and it is expected that the Indonesian government will authorise a company to issue warrants soon. The scope of investment opportunity throughout the region continues to expand encouragingly. Your Company stands to benefit from that growth."

A.H. Smith  
3rd October, 1990

JF Pacific Warrant Company S.A.



Annual Report 30th June 1990

For a copy of the Annual Report please contact either Jardine Fleming, 47th Floor, Jardine House, One Connaught Place, Hong Kong. Attn: D.R. Howard Tel: (852) 843 8888 Fax: (852) 845 2709 or Fleming Investment Trust Management Ltd, (Member of IMRO) 25 Copeland Avenue, London EC2A 4JH Tel: (071) 636 9838 Fax: (071) 226 0417.

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## Notice to Bondholders

Smith & Nephew plc  
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(the "Bonds")

NOTICE IS HEREBY GIVEN that Smith & Nephew plc, formerly known as Smith & Nephew Associated Companies plc, ("Smith & Nephew") has, pursuant to Condition 14 of the Bonds and with the agreement of The Law Debenture Trust Corporation plc, the trustee for the Bondholders, amended the Terms and Conditions of the Bonds to enable Smith & Nephew to offer to Bondholders one or more additional put options exercisable after 7th May, 1993.

If any additional put options are offered, their value will be protected from an exercise of Smith & Nephew's call option. In accordance with the existing terms, the value of put options are not protected in the event of redemption for tax reasons.

The following is a summary of the amendments, which are embodied in a supplemental Trust Deed and details of which are set out in a revised Excl Card:

- Smith & Nephew may, with effect from 7th May, 1993, pay a higher rate of interest on the Bonds for a period specified by Smith & Nephew.
- Smith & Nephew may, with effect from 7th May, 1993, pay supplementary interest, in the form of a lump sum, on an additional put option date, but only where an additional put option has been offered and accepted by a Bondholder.
- Smith & Nephew may, on 7th May, 1993, or on any additional put option date pay supplementary interest in the form of a lump sum where a Bondholder chooses not to exercise the put option on any such date.
- Smith & Nephew may elect to grant an option to Bondholders to extend the Maturity Date of Bonds to a date to be specified by Smith & Nephew and the Bondholders agree, the final Maturity Date and the relevant conversion date of the Bonds held by such holders will be extended, otherwise the Bonds will be redeemed on 7th May, 2002 and the last day for conversion will be 30th April, 2002 (the 7th day prior to the Maturity Date).
- Smith & Nephew may, with effect from 7th May, 1993, in the case of (ii) above, offer a redemption yield calculated on the basis of the redemption yield of another specified stock or security.
- An underwriting option has been added enabling Smith & Nephew to require Bondholders exercising their put option on 7th May, 1993, to sell their Bonds at the 1993 put price of 133 2/3% to a third party, which would underwrite the placing of these Bonds in the market. A similar option will apply in respect of the additional put options if granted and in respect of the Maturity Date or any Extended Maturity Date.
- An underwriting option has been added enabling Smith & Nephew to require Bondholders exercising their put option on 7th May, 1993, or any additional put option date to convert the Bonds into the underlying Ordinary Shares of Smith & Nephew and in such event arrangements will be put in place for a third party to underwrite the placing or purchase of those shares in the market. An amount, equal to the amount which would otherwise have been payable on redemption of the Bonds will be paid in cash by Smith & Nephew to the Bondholders in the usual way. A similar option will apply on the Maturity Date or on any Extended Maturity Date in respect of Bonds which have not been presented for redemption, save that the Trustee may within seven days after the Maturity Date or Extended Maturity Date convert such Bonds into Ordinary Shares which will be sold for the benefit of those Bondholders.
- (a) Smith & Nephew may elect, on the exercise of its call option, to offer Bondholders (in lieu of amounts otherwise payable on the exercise of a call option) an amount of Ordinary Shares which the Bondholders may elect to receive on exercise of conversion rights together with a cash amount representing the difference between the current market value of the Ordinary Shares and the amount that would otherwise be payable by Smith & Nephew upon the exercise of a call option.  
(b) The period for exercise of the Bondholders' put options on 7th May, 1993 and, if granted, any additional put options will commence not less than 14 days and not more than 24 days prior to the relevant optional redemption date.

Full details of any changes to the terms of the Bonds are to be notified to Bondholders prior to the periods during which they may exercise any put option.

Copies of the revised Excl Card are available in the Excl system and from the Principal Paying Agent:

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This Notice has been issued by Smith & Nephew plc which is solely responsible for its contents.

Smith &amp; Nephew plc

25th October, 1990



## BUSINESS LAW

# Vat groups to get a new competitive edge in Europe

By Dominic Taylor

From November 1 this year the test to determine whether one company is the subsidiary of another is no longer satisfied by a simple majority in share ownership.

Section 736 of the Companies Act 1985, which defines subsidiary and holding company, has been changed.

The previous alternative tests of share ownership or control over the composition of the board of directors are replaced by tests determining control over voting rights on the board of directors.

At the same time a new concept of "subsidiary undertaking" enters the Companies Act and this means, among other things, that some previously off-balance-sheet operations will need to be shown in the accounts of the "parent undertaking".

These changes offer Customs and Excise the opportunity to review positively an important aspect of Vat administration – the group registration facility. Vat grouping can provide significant savings in tax by rationalisation of procedures but it is available only to companies sharing common section 736 control.

Vat groups already established by reference to share ownership will be reassured to know that Customs will apply the new conditions only to

applications for grouping made after the changes came into effect.

Companies registered as a Vat group benefit from being treated as a single taxable entity in a number of ways not available to groups where the companies are registered individually. They are able to transfer resources, both goods and services, between themselves without attracting Vat charges.

This is particularly important to those engaged in Vat exempt activity who could otherwise suffer large Vat costs on inter-company transactions. But, in an era of substantial Vat penalties for accounting errors, it is almost as important to any group of companies where Vat could easily be omitted from internal billings.

In addition, the aggregation of group turnover means that the monetary limits on errors ranking for the imposition of Vat penalties are higher, so individual companies are less likely to be penalised if they become members of a group. The larger combined turnover of groups means as well that they are able to tolerate a greater level of exempt or non-taxable transactions without becoming subject to special Vat accounting regulations.

Grouping is also good for the overseas operating subsidiaries of UK businesses, which might

otherwise find it an arduous task to recover the Vat on management charges, and which will find they can recover Vat on UK expenses through a group registration.

Vat grouping and the changes in the Companies Act share common European ground in that the former has a basis, like the rest of UK Vat law, in an EC directive dealing with the harmonisation of Vat in the Community (the Sixth Directive), and the latter has regard to the Seventh EC Directive on company law.

The two meet in UK law because Vat grouping is available to companies sharing common Companies Act control. However, the UK enactment of Vat groups is otherwise a less than adequate reflection of the broad concept of fiscal unity to be found in the European law.

Article 4 of the Sixth Directive on Vat provides for legally independent persons established in a member country of the EC, who are closely bound to one another by financial, economic and organisational links, to be treated as a single taxable entity.

It is a broad concept and is not restricted to corporate bodies, nor does it require one member to control another or all members to be commonly controlled.

Despite its defects, the UK

along with Germany and the Netherlands leads other European countries in implementing this piece of Community legislation. It has, however, chosen to model the UK law on direct tax principles ill-suited to the characteristics of Vat, which is an indirect tax.

In addition to confining a group to corporate bodies only, there is a residency test, which is loosely based on principles applicable for income tax and corporation tax.

This Customs and Excise test requires a foreign company wishing to be a member of a UK Vat group to have at least one board director resident in the UK.

This test, irrelevant to Vat, produces the paradox of European businesses with a branch established here for decades but unable to group with their UK subsidiaries because they cannot satisfy the largely meaningless residency test.

Article 4 allows the UK to group not just commonly controlled companies but any business entities (including subsidiary undertakings) established in the UK and closely bound to one another by financial, economic and organisational links. The implementation of this concept in full could produce a powerful economic tool for the exchange and utilisation of collective resources, unhampered by Vat considerations.

Europe is moving towards cross-national entities with the introduction of European Economic Interest Groupings (EEIGs), which are intended to be fiscally transparent so that their activities are taxed only in the hands of the individual participants in their own countries.

However, Customs have so far stated that EEIGs in the UK will be subject to the normal Vat rules. The implication of this statement is that if they make no taxable supplies here they will not recover Vat on costs.

Clearly, fiscal transparency does not fit in easily with the requirements of a transaction tax, but the introduction of the full Article 4 provisions would allow Customs to treat an EEIG as a Vat group, with equivalent benefits in Vat terms to those produced in respect of direct taxes by fiscal transparency.

Such treatment could well encourage more businesses to use the UK as the location for such joint enterprises. Present UK Vat group registration rules would not allow this treatment.

For UK businesses the application of the full provisions of Article 4 would, for instance, facilitate the setting up of special business groupings to collaborate on new products and services and market them in

the expanded European single market. Vat has, in the past, proved to be a significant obstacle to co-operation agreements of this nature.

Sadly, Customs seem at present to be heading in the opposite direction. They have put forward the view that grouping was intended only to be an administrative convenience and not primarily to provide a source of tax relief for inter-company transactions or otherwise to mitigate the direct cost of the tax.

They say that member companies should not assume either that the group is truly a single entity for the purposes of tax or that they are relieved of all consequences for Vat of inter-member transactions.

Accordingly, Customs have in recent years moved to block what they perceive to be abuses of the system, taking measures to charge tax on movements of assets into and out of groups and to impose further conditions on membership by close scrutiny of group applications.

While it appears unlikely that the UK will regress to the Italian group model, which allows only for group tax returns to be made, it would be a pity if we missed the chance to introduce trading groups free from unnecessary taxation.

The argument that an expansion of group Vat relief would be costly in tax terms is largely spurious and should be discouraged.

Vat is levied at each stage of production but, because relief in the form of input tax is given to each intermediary in the production chain, it is effectively collected from the final consumer.

It can therefore hardly be argued that by relieving groups of producers from charging Vat between themselves the overall tax yield would be reduced or the revenue endangered.

In fact, tax administration costs and the risk to the revenue will be reduced if there are fewer taxable transactions taking place which need to be monitored.

In this matter, Customs should be encouraged to take a bold and broadminded view of tax operations and not to allow their role as tax collectors to interfere with the other primary function of taxation as an economic tool of government.

With a tax now as complex as Vat it is almost imperative that we relieve businesses of as much of the burden of compliance and take full advantage of simplification measures, such as Article 4 allows. The author is senior tax manager at City solicitor Ashurst Morris Crisp.

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## TECHNOLOGY

## Computer requires a dust down

FOR MANY international organisations - banks, credit cards companies, airline reservation organisations or international manufacturers - the thought of a mainframe computer breakdown is the worst corporate nightmare.

One of the big problems is finding out what causes the breakdowns and, if possible, preventing them. According to a recent survey by the Hardware Environmental Protection Agency, a US-headquartered company specialising in computer environments, it may not be the hardware or software that is to blame. It is more likely to be the room in which the computer is housed.

"As computers have become more sophisticated they have also become more sensitive," says Storm Larkins, chairman of Hepa. He points out that an electronic componentry is squeezed closer together inside the machines, a stray dust particle landing on the circuitry can cause damage.

As a result, according to the Hepa report, 50 per cent of all computer hiccups are caused by environmental problems. And Hepa predicts that will grow to 75 per cent by 1995.

Larkins points to five culprits in the computer room:

- Fluctuating temperatures - the temperature needs to be strictly controlled.

- Discrepancies in the relative humidity of the atmosphere.

- Carbon dust - common around badly-sealed window frames, particularly where they overlook a car park.

- Concrete dust, from under-floor structures which have not been properly sealed.

- Rust from air conditioning units which are not working properly.

In the past Hepa, which has worked mainly for the large mainframe and supercomputer manufacturers in the US, has concentrated on diagnosing the problems after they happened. Now the company is moving into Europe where Larkins hopes that large computer users, and computer manufacturers, will take the lessons of the US on board and try to prevent computer failure by cleaning up the environment before problems occur.

Della Bradshaw

In the run up to Fujitsu's acquisition of ICL this summer John Gardner, the UK managing director of ICL, made half a dozen lengthy telephone calls to David Stewart, deputy clerk at Manchester Magistrates Court.

It had nothing to do with parking violations however. Stewart is chairman of the ICL Computer Users Association (CUA), and he offers this tale as illustration of how seriously ICL takes its relationship with its user group. "We were privy to the announcement before the press," says Stewart, and the CUA was able to prepare its own briefing for members the day the deal broke.

ICL has learnt the significance of taking its user group with it, says Stewart, "and if anything, the CUA has yet to capitalise on ICL's readiness to listen. ICL would welcome more push from users. The door is open."

Furthermore, as some of the old loyalties break down due to pressure from open systems environments, suppliers will be even more careful to stay close to their user groups.

It was not always thus. John Goodfellow, president of the European Unisys Users Association (EUA), and general manager of Skipton Building Society, says that 20 years ago "relationships between suppliers and their customers could be horrendous".

The early history of commercial computing is littered with arbitrary changes in technical direction, licensing and pricing policy - and corporate ownership - which severely embarrassed users, particularly those on this side of the Atlantic.

The user group, at once pressure group, talking shop and social club, was the customer's response. The concept is not unique to the computing industry but the hundred or so organisations with unpleasant acronyms such as ADUS and UKCMG remain one of its curiosities, the accepted forum for users to share their problems, and a working example of the ambivalent relationship computer users have with their prime suppliers.

User groups are, with a couple of exceptions, non-profit organisations. They fiercely protect their independence although company liaison representatives invariably attend meetings to offer the company line and to hear grievances. At the same time a distinction can be drawn between supplier or product specific groups - the CUAs - and broad technical forums such as UKCMG, the former Computer Measurement

Dave Madden explores the benefits of computer user groups and their relationship with suppliers

## The influence of a collective voice

Group, or the UK Unix User Group.

Yet while they are all run voluntarily by IT practitioners, perhaps supported by a small administrative secretariat, some have developed into large sophisticated organisations in their own right.

The ICL CUA is an umbrella organisation for some 35 individual user groups, which take a special interest in anything from local government to particular hardware platforms. Similarly the IBM CUA, with a membership of more than 1,400, or one of its sub-groups meets in the UK every week.

Invariably these national organisations are affiliated to larger pan-European or international groups such as EUA Europe and to the National Computer Users Forum (NCUF), the UK user groups' user group.

NCUF, based at the National Computing Centre in Manchester, speaks for user groups collectively in debates such as the current Ofel review of the telecommunications duopoly, and increasingly it acts as a conduit into Europe.

But does this structure work? Representation, ADUS, for example, the Hewlett Packard Apollo workstation user group, has around 550 members. That is probably only 20 per cent of the UK Apollo user community but, says chairman Steve Chatterton, it represents more than 10,000 installed machines, and all the big users.

Similarly Martin Sexton, the Unisys director responsible for liaison with EUA, says that all the biggest UK users are represented within this group. The importance of that, says Bill Collin, secretary general of NCUF, is that user groups marshal significant purchasing power - and it is that power which can influence vendors.

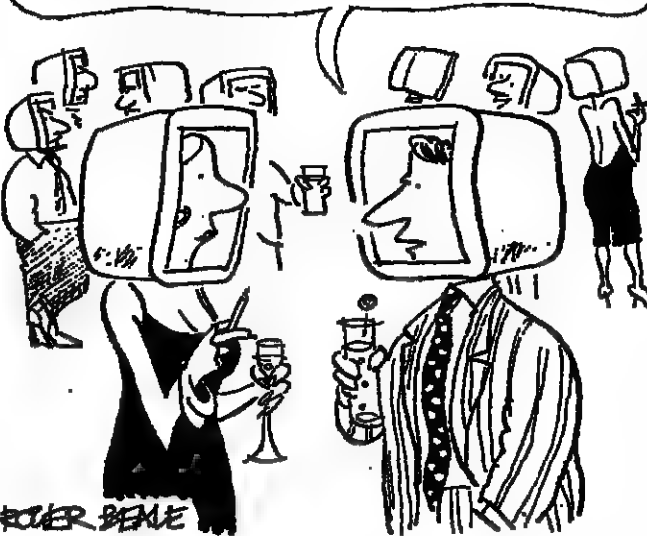
The biggest UK user group, the IBM PC User Group (completely separate from the IBM CUA), boasts more than 10,000 members. It is something of a maverick in that it is run as a

commercial business. It offers training, a consultants register, purchasing discounts and, in the near future, a leasing scheme to IBM PC and PC compatible users - much to the chagrin of some of its members, who frequently find themselves in direct competition with it.

Lobbying and influence. "In the past we have played blue murder over some issues - two price rises in six months, for example - and won informal agreements that it would not happen again," says the IBM CUA's official spokesman. "IBM always says it consults users. It's not stupid, it looks hard at the market - but we are not that influential," he adds.

ADUS's Steve Chatterton is more bullish. When HP acquired Apollo last year ADUS, then representing the Apollo community, was convinced that HP intended to squash the (Apollo) Domain product in favour of Risc tech-

WHEN YOU'VE BEEN TO ONE COMPUTER USER GROUP FANCY DRESS PARTY, YOU'VE BEEN TO THEM ALL



commercial business. It offers training, a consultants register, purchasing discounts and, in the near future, a leasing scheme to IBM PC and PC compatible users - much to the chagrin of some of its members, who frequently find themselves in direct competition with it.

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nology. That did not happen when the initial merged products arrived in June and Chatterton claims that ADUS can take much of the credit. "We played a big role in explaining to them [HP] just what a good product they had got hold of."

Richard Owen, HP technical representative at ADUS meetings, concedes that at first HP "didn't appreciate the amazing loyalty people had to this exotic Domain technology".

But, he adds, ADUS's voice was just one of many - not least ex-Apollo staff and Apollo's third-party software houses. It is this collective lobby, says Owen, that has been vindicated not just by HP taking the message on board, but by the Open Systems Foundation's adoption of Apollo architecture as the basis of its forthcoming distributive computing environment.

John Goodfellow argues that user groups worldwide do influence Unisys's product

strategy. In particular the EUA can offer a European view to telecommunications issues, for example. Unisys's Sexton says that in effect it has built up a business partnership with the EUA. The group and its members are privy to both Unisys's product and management strategy, Sexton says.

At the same time the EUA recently delivered to Unisys a detailed analysis of the business outlook for its members, and what they would need from Unisys to stay competitive.

However both the HP Apollo and Unisys experiences suggest that the broad and butter of lobbying has more to do with operational than strategic issues. Chatterton talks of the culture shock of now dealing with HP, a disparate organisation many times the size of Apollo, and currently ADUS is lobbying over software licences and the complexity of the price list. Similarly Sexton points to Unisys capitulations over the years on maintenance clauses, and its invoicing practices.

Experience. There is clear consensus that the opportunity to share experience within the user group is just as important as any problem solving or lobbying role. Obviously this is the reason why for the likes of UKCMG, it is a technical forum, but it applies to vendor-related groups too.

"User group meetings are a forum for exchanging best practice," Sexton observes, while the IBM CUA says the major benefit of CUA membership is undoubtedly "peer-to-peer meetings".

Ironically, as open system architectures gradually penetrate commercial installations, and as long time IBM or ICL users begin to look beyond their proprietary environments, this sort of informed peer group opinion will be at a premium. Far from compromising conventional user groups, it could stimulate them.

It is precisely this shift that John Goodfellow argues, will underpin the future of the user group movement. "User group relations (with suppliers) are much more mature and forward looking now. We are no longer trades unions there to beat up our supplier. We have a mutual interest."

"If Open Systems really is the genre of the 1990s, and customers do become more transient, then suppliers will appreciate just how important user groups are in keeping customer loyalty. They will have to work even harder to keep you on their flavour of the open system."

## Motorola launches 'wireless' network

By Louise Kehoe

Combining cellular radio and computer technology, Motorola, the US electronics group, has developed a system that will allow office computers to communicate without wired links via microwave radio signals. The system promises to reduce significantly the costs of office computer networks.

The Wireless In-building Network (WIN) is not a new concept, but efforts to implement radio links between office computers have so far fallen short of the performance of conventional systems.

Motorola claims, however, to have developed technologies that overcome these limitations by using higher radio frequencies and semiconductor signal processing devices that reduce the size and cost of the transmission and receiver equipment.

The advantages of a "wireless" network within an office building are clear. While conventional networks tether computers and their users to a fixed location, a wireless network would allow computers to move about freely within a building in order to meet changing requirements as workloads shift.

The initial cost of installing a wireless network will be "competitive" with conventional cabling, Motorola says, but the cost over the lifetime of the system should be lower because rewiring expenses would be eliminated.

Networked data terminals are typically moved one to three times per year, according to industry studies, so the potential savings are considerable. "Given the physical, logistical and financial problems associated with wire and cable-based communications in a building, our goal was to develop a practical, high-performance technology to replace the last 100 feet of wiring to office desks and equipment," explains Bernard Smedley, senior vice president of Motorola's Radio-Telephone Systems Group.

The first Motorola product to embody WIN technology will offer wireless local area network (LAN) communications between personal computers at speeds of 15m bits per second, about 50 per cent faster than standard wired LANs. The product is scheduled for introduction in the US early next year with international shipments to follow.

WIN technology is compatible with existing network protocols and standards such as Ethernet or Token Ring and can be used to extend or replace hard-wired networks. The WIN works like a miniature cellular communications system, with "microcells" defined by the floors and walls of a building.

Operating at microwave frequencies (18 GHz), very low power signals are transmitted and received by units the size of a pack of cards. Microwave frequency signals are superior to lower frequencies currently used for wireless networks, Motorola says. Because the low power signals used to link computers are attenuated over relatively short distances, they do not interfere with other types of microwave communications systems.

Use of this frequency for in-building communications was approved in the US by the Federal Communications Commission in April. Motorola is currently seeking approval to use its technology in other countries.

Reducing the costs and size of microwave radio components to fit an office environment while achieving high speed error-free communications presented the company with several challenges.

Four new patented technologies are key to the WIN: an "intelligent" antenna that automatically selects the best signal for each data transmission; a single chip radio frequency digital signal processor for data synthesis and recovery; Gallium Arsenide components used to build the miniaturised 18 GHz radio; and a switch and single-chip high speed packet switch and network interface device.

"The technology makes possible a whole family of high-speed wireless communications systems and components to be introduced over the next decade," said Edward Stalano, president of Motorola's General Systems Sector. "Over the next 20 years, we will witness a 'wireless evolution' in professional and personal communications."

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## The Top Opportunities Page

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## CAYMAN ISLANDS

Thursday October 25 1990



In just three decades  
shrewd Caymanians  
have transformed  
their mosquito-ridden  
fishing community

into a tax haven and financial  
centre that some say could act as a  
model for others. It is also an  
increasingly popular tourist spot.

Richard Donkin outlines the  
political and economic outlook

Fishers of  
money men

PORTRAITS OF the Queen and Prince Philip hang benignly above the tourists queuing for passport control at Owen Roberts Airport in Grand Cayman, reminding them that they are entering a crown colony. North Americans need only their driving licences. Passports are required by other foreign nationals, including Britons.

No slight is intended - US driving licences carry identity photographs, UK licences do not - the requirements are a reminder that the Cayman Islands are just 480 miles or one hour's flight from Miami.

The older islanders still call the Queen "Mother" and the Governor continues to wear a white pith helmet crowned with royal swan feathers for ceremonial occasions, but Caymanian children play American football in school and almost everyone watches US television shows.

In a country where more than a third of the 26,400 population are non-residents, where the banks are run mainly by Britons, where the hotels are run by Americans and where the buildings are built by Jamaicans, it might, wrongly, be suspected that

native Caymanians contribute little to their society.

In fact, Caymanians have a great sense of their own identity. They have one of the wealthiest societies in the Caribbean, with a GNP per head of C\$15,000 in 1988, and devote their energies and ingenuity to keeping it that way.

Politically, the islands have been going through a period of growing pains. Some members are demanding a more developed constitution, although retaining the political safeguards afforded by the Crown. The UK Foreign Office has agreed to carry out a review of the constitution, last updated in 1972, in the new year.

Any latent desires for self-determination remain subordinated to general recognition of the underlying benefits of the islands' present status.

Mr Alan Scott, the Governor, faced with a recent protest against the government from placard-carrying citizens was afforded the sort of respect that would be envied by most western leaders. According to one observer: "When they'd had their say, including cries of 'Scott out', they all sang God Save the Queen and went

home." In spite of the experience, Mr Scott, who was Deputy Chief Secretary of Hong Kong before his appointment, appears to have a firm grip on internal affairs.

Although Grand Cayman is an increasingly sophisticated financial centre - it is said to have the highest concentration of facsimile machines in the world - the image of high finance conjured by the presence of more than 500 banks is misleading. The capital, George Town, originally a fishing village, is essentially a banking centre with book-keeping bankers. The \$340bn which was booked to Cayman banks last year largely comprised figures on screens, albeit representing a large slice of international finance.

The stringent confidentiality laws remain in place, affording protection for those avoiding tax, but a Mutual Legal Assistance Treaty signed with the US in 1986 has paved the way for US drug money laundering investigations into Cayman bank accounts. About 13 inquiries under the treaty are currently before the Attorney General.

A good image is, of course,

essential to retain its competitiveness as an offshore centre in an area with many small island states offering similar facilities.

Caymanian legislation so impressed Mr Rodney Gallagher of Coopers and Lybrand, asked by the UK Government to cast a critical eye over the offshore financial centres in Caribbean dependent territories, that in his report in January he described the islands as "an example for all in regard to the efforts made to introduce sensible and relevant procedures for regulation and supervision of the offshore sector."

Grand Cayman, Cayman Brac and Little Cayman, which constitute the Cayman Islands, were first sighted by Christopher Columbus in 1505. They were rediscovered by Barclays Bank nearly 40 years ago when they were little more than a haven for mosquitoes.

The Caymans claim to be the remotest group in the Caribbean. Grand Cayman, the largest, at 25 miles long, is 150 miles south of Havana, Cuba, and about 180 miles west of Jamaica.

The two smaller islands, about 80 miles to the

north-east of Grand Cayman are largely undeveloped. Cayman Brac, population 1,400, is a favourite among those who like a quiet holiday. Little Cayman, 11 miles long with just 33 residents, has some of the best scuba diving in the world.

The original European settlers in the mid-17th century had been encouraged by Oliver Cromwell to colonise Jamaica. A few families came with their slaves to the Cayman Islands, intermingling over the years, thereby removing potential racial strife.

Two family names, Ebanks and Boddien, so dominate the islands' telephone directory today, that the islanders tend to differentiate themselves by their first names.

For much of their history the islands were no more than a small seafaring community. Until the US merchant marine began to contract and economies in the early 1960s many Caymanians earned their livelihood from crewing ships.

Tourism, expected to attract more than 600,000 visitors this year, began as a trickle after the airport opened on Grand Cayman in 1950. The islands were still being run as a depen-

dency of Jamaica, but when Jamaica chose to go independent eight years later the Cayman Islands opted to remain a British Crown Colony.

The political stability of a colony, social harmony, improving communications, a simple statute book, no income taxes, and a welcoming approach to outsiders, provided the basis for a new economic era.

Mr Vassell Johnson, a former financial secretary and a grand old man of Cayman politics, insists he was the first to spot Cayman's potential as a tax haven. "But before we could do anything," he says, "we had to get rid of the mosquitoes."

While much of the enabling legislation for banks and trust companies to settle in the islands was laid down in the 1960s, the first surge of interest came from banking refugees who abandoned the Bahamas when they were granted independence in 1973.

The banks were able to operate with few restrictions and regulations and they became an important arm of the banking operations of New York, particularly in Eurodollar dealings. American banks found

they did not need to fulfil reserve asset requirements when they raised deposits through their Cayman outlets. In the wake of financial advances, Cayman has had to bring its infrastructure and society into the 20th century, two areas where it has enjoyed mixed success.

Prudent budgetary control has left it in a strong position on paper, but the need for large-scale capital investment in infrastructure has caught up with Cayman, at a time when many residents fear that the economy is in danger of overheating.

The simmering political debate which led a delegation of members to visit London in August to demand constitutional reforms centres mainly on budget policies - whether to embark on costly schemes, labelled "grandiose" by opponents, or to improve existing arrangements.

The plans - curtailed by a benchmark result at the time of the last island budget but likely to be carried, with some revisions, in the next budget after changes to the finance committee threaten to tip the country into debt.

## IN THIS SURVEY

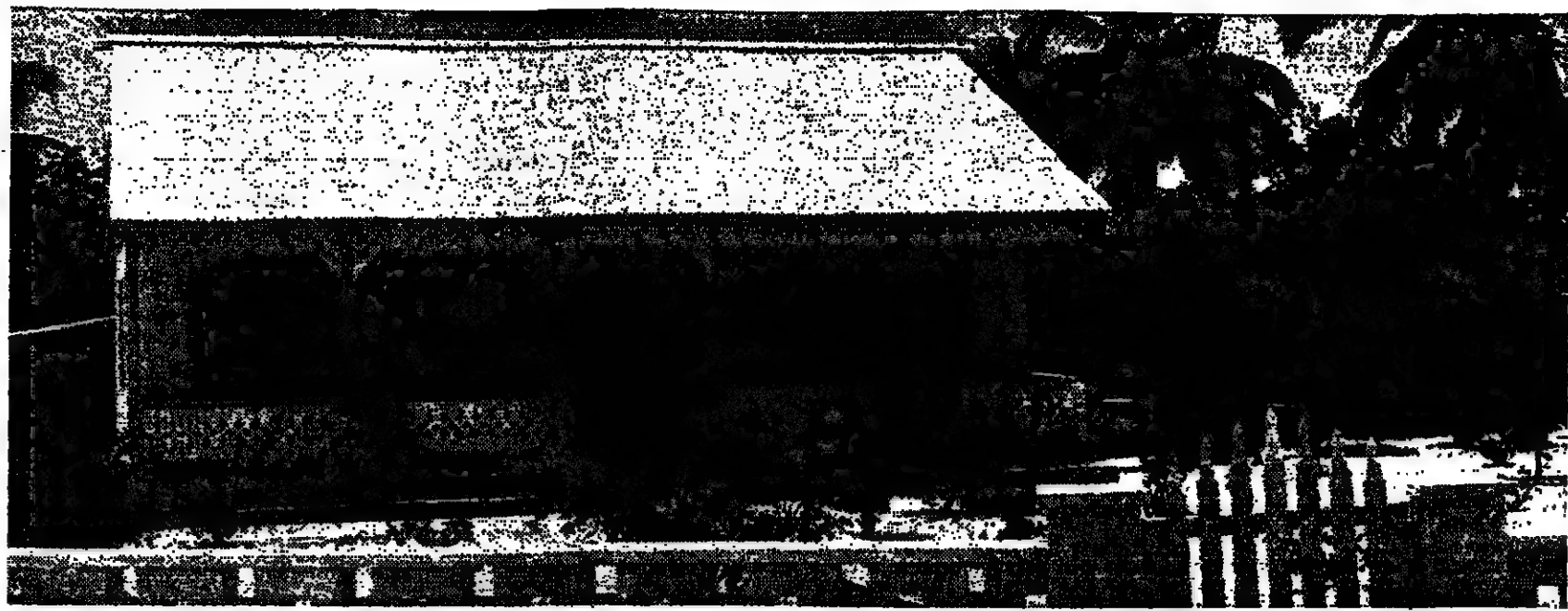
Economy: From subsistence to wealth in 20 years, but there may be a danger of overheating  
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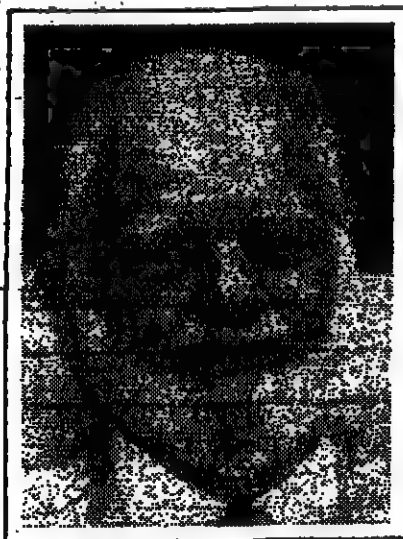


A traditional-style Cayman house in the West Bay area of Grand Cayman

## ADVERTISEMENT

## CAYMAN ISLANDS: a reliable and respectable place for business

From the Governor  
of the Cayman Islands  
His Excellency Alan J. Scott,  
CVO, CBE.



Since the last Financial Times Survey was published four years ago, we are happy to report there has been continuing progress and development in all sectors of the economy.

Cayman continues to welcome the best quality in new bank and trust operations; our captive insurance sector has grown significantly; and so has the number of registered companies. Our shipping registry has been raised to the highest level, with the necessary principal legislation and regulations firmly in place, and backed by a highly experienced, professional Marine Survey team.

We continue to expand the high quality of professional services, across the board, and to maintain the high standards of our tourist industry. We welcome all ethical and efficient business operations. Our own legislation and regulatory activities, and our record of international co-operation, are evidence of our determination to lend no support to criminal activities.

These Islands, although relatively small, offer sophisticated and efficient services in all aspects of offshore financial activities. We welcome all enquiries related to investing in the Cayman Islands.

Alan J. Scott,  
GOVERNOR

IN JUST OVER 20 YEARS the Cayman Islands have been transformed from a little-regarded trio of tropical islands into one of the world's leading offshore financial centres. An economy which struggled along on philatelic sales and seamen's remittances has expanded dramatically to become one of the most successful in the Caribbean with average GDP growth in excess of 8 percent annually over the last five years. Real GDP per capita stood at approximately C\$ 16,400 in 1989.

This has been possible because of three basic reasons: a long history of political and social stability; sustained government policies ensuring complete freedom from direct taxation; and the friendly receptiveness of Caymanians to new ideas and people.

On the firm basis of these assets has been built our thriving and respected financial centre, while alongside it has grown the other pillar of our economy, tourism, taking advantage of our tropical climate, clear waters and white beaches. Complementing each other, these industries have attracted large amounts of capital from overseas investors assured by the policies of our government and the attributes of our people.

This investment has financed large-scale construction of banking and other office complexes to house the business sector, and of hotels and condominium apartments for use by our steadily increasing flow of visitors. At the same time, the government has been enabled by healthy annual budgets to embark on its own construction programmes, so that we now have a range of public buildings - Legislative Assembly, Law Courts, Government Administration, Police Headquarters, Broadcasting House - as well as new roads and schools and modern port, airport and hospital facilities.

The capital investment programme, continued by successive governments, has been part of a consistent policy aimed at promoting the greatest good for the greatest number of people. Aspects of this policy have included the provision of adequate social services to ensure the all-round welfare of the community, and the equipping of Caymanians to play their full part in their country's future so that an acceptable balance is maintained between them and residents of other origins.

The pattern of government development has continued into the 1990's, keeping pace with that in the private sector, in which there have been remarkable advances in telecommunications, power generation; hotels, condominiums, office buildings, restaurants, shops and other business.

Four years ago, when the last Cayman Islands survey was published in the Financial Times, the Budget estimated revenue at C\$ 70 million, there were over 490 banks and trust companies licensed, over 17,000 companies registered and just over 320 insurance companies licensed. In the tourism sector, air and cruise ship arrivals had topped the 400,000 mark for the first time.

Our Budget for the current year anticipates revenue at C\$ 102.8 million and the first six months over C\$ 54.7 million had been collected. Over the last four years we have had successive Budget surpluses which reflect our commitment to financial prudence. It is a fact in which Caymanians take pride that our government has never needed grant-in-aid from Britain to balance the annual budget.

For over 40 years we were assisted by British development aid grants, but these ceased in 1975, to be replaced by interest-free loans. The last of these was received in 1980, and while we are grateful for the help that Britain provided in our years of difficulty, we are happy and proud to be able to pay our own way without recourse on the British taxpayer. Our credit is good and among the borrowing sources we use for funding new projects the major one is the Caribbean Development Bank.

Our banking industry continues to grow, but this activity is now more focused on consolidation rather than expansion, with emphasis on attracting and keeping high quality business. We now have over 530 banks and trust companies licensed, which is more than in any other financial centre. As a result of legislation enacted in 1979, Cayman has also become one of the

By the Hon. Thomas C.  
Jefferson, OBE, JP,  
Financial Secretary, First  
Executive Member of  
Executive Council and  
Leader of Government  
Business in the Legislative  
Assembly.



leading centres for the re-insurance industry, and we have over 500 companies licensed, a figure surpassed only by Bermuda. And the successful promotion of our Islands has made them an increasingly popular vacation resort, visited last year by over 600,000 people arriving by air or cruise ship.

Just as investors feel safe in putting their money here, our visitors come - and often come again - because they find that in the Cayman Islands they can relax among friendly people, where crime is minimal and there are no social tensions. Most of our visitors by air get a Caymanian welcome aboard the Boeing 737-400s of our national airline, Cayman Airways, which provides daily service from Miami and Houston and regular services from Kingston, New York, Atlanta and Tampa.

In every aspect of our development it has been the policy of Government to ensure that, while welcoming investment and expertise from overseas, every chance is given for Caymanians to participate in their country's prosperity. Over 1,100 people are employed in our financial institutions, and I am glad to say that over 75 per cent of them are Caymanians and they are steadily rising to the highest levels of management and supervision in this key sector of our economy.

These have been termed "the Fortunate Islands" and this is true not least in the fact that we have had relatively low levels of unemployment and we have one of the highest standards of living in the Caribbean. And despite the fact that our population has risen rapidly to over 25,000 of whom over 9,000 have come from over 50 other countries, we have retained an enviable social harmony.

The years when these Islands were remote from the world have been left far behind. Today we have the most modern forms of telecommunications available, with satellite and marine cable links providing the telephone, telex, facsimile and databank services essential for our financial centre operations. With over 17,000 telephone/fax stations we certainly rank among the highest per capita countries in the world in the provision of this facility.

Such provision shows our realisation of the need to be forward-looking if Cayman is to remain in the forefront of international financial operations - a role reflected in the billions of Eurodollars involved in daily transactions here. We cannot afford to be complacent, for we are well aware of the potential fragility of a sector which depends on continuing confidence in Cayman as a reliable and respectable place to do business, as well as other world conditions beyond our control.

I have great confidence that, with public and private sectors working toward this common purpose, we shall maintain the image that has made possible our remarkable progress.



## CAYMAN ISLANDS 2

ECONOMY: There are problems, but they are the fruits of success. Richard Donkin reports

## Pressures that would be envied

IN JUST 20 years the economy of the Cayman Islands has risen from low subsistence to that of a Caribbean cash register constantly ringing up new wealth.

For five years to 1988, the latest figure available, the economy grew on average by 10 per cent a year. In 1988 it grew by 15 per cent, allowing for inflation. Increasing tourism coupled with an accommodating approach towards development has led to a spate of hotel and condominium building and rising real estate prices.

During the last decade the Caymans' budget more than tripled from C\$30.8m to C\$96.9m in 1988. While much of the income was spent on improving utilities, such as electricity and piped water, the rapid growth has continued to outstrip the islands' infrastructure.

The Government, with few fiscal powers of restraint, is now confronted by what some believe is a rapidly overheating

economy. The fears are underlined by Cayman's strong dependence on the US economy, particularly in the area of tourism, and the feeling that recession inevitably follows boom.

That Cayman would suffer the full knock on effect of a US recession is not accepted, however, by Mr Thomas Jefferson, the financial secretary. He says: "We are catering for tourists at the upper middle price level. That market is not seriously affected by Chrysler shutting down and laying off people in Detroit."

Government revenue is drawn almost entirely from hidden or indirect taxes and duties on imported goods. Last year the customs and excise collected C\$37.2m in revenues, about 40 per cent of the total revenue for the government and by far the largest slice of government income.

A breakdown of revenues for 1988 shows the amounts brought in by the following:

- C\$12m on stamp duty on land transfers
- C\$8m on company fees
- C\$5.5m on bank and trust licences
- C\$2.7m on work permit fees
- C\$2m on tourist room tax
- C\$1.9m on insurance licences

The new developments and the influx of people to construct and staff the banks and hotels has led to a population growth of nearly 10,000 in 10 years. Burgeoning traffic and demands of a modern wealthy society exposed via a proliferation of satellite TV dishes to the excesses of American consumerism, is placing ever more strain on the infrastructure. There are more than 12,000 motor vehicles for 133 miles of road on Grand Cayman.

While Cayman Brac and Little Cayman have so far survived with scant development, the charm of their big sister has been heavily eroded by the impact of late 20th century urbanisation. Like a hungry caterpillar grown too big for its skin, Grand Cayman, led by the Executive Council members, is demanding large scale investment for the future - a dual carriageway to relieve rush hour congestion, a new C\$20m hospital and new schools.

The combined sum of the proposed projects, which have not yet been thoroughly costed and are already being trimmed as a result of political opposition, threatens to plunge the island heavily into debt for the first time. The prospect has caused considerable unease among the new generation of Caymanian politicians and business people.

The most vocal critics sit on the backbenches of the legislative assembly, claiming they are now represented by a minority government. Many have changed their support since the 1986 election, protesting about the spending proposals. Further unease has been registered by the Cayman Islands Chamber of Commerce, representing 850 businesses, which has increasingly spoken out against the plans, which some feel are grandiose.

The developing economy is also confronted by social pressures - the need for pensions and care for the elderly. The pure form of capitalism that



Mr Thomas Jefferson

has swollen the islands' economy has been forced to embrace notions of collective social responsibility that can no longer be ignored in the headlong pursuit of wealth.

The need for large numbers of itinerant, mostly Jamaican, construction workers and British expatriates is causing tensions among Caymans fearful that they will soon be a minority in their own country.

The numbers of non-resident workers, however, can be seen both as the cause and the effect of economic progression. The financial centre was founded on the skills and expertise of the expatriates and it was built largely with the labour of Jamaican workers.

Pension legislation, currently under discussion, which proposes to tie in contributions from expatriates who would receive no benefit from their contributions when they leave the island after a year or two, is causing some dismay among the non-resident community and would appear to reflect yet another divide in a society in danger of developing two tiers.

Of the two most significant pillars of economic growth - finance and tourism - the latter is perhaps the most susceptible to environmental pressures caused by unchecked expansion.

The tourists come for the sea and the sand, but most of all for the excellent diving opportunities. Grand Cayman is not a cheap island, nor is it in any way sophisticated. For North Americans discovering the

Caribbean, however, it is one more to notch up on the list of those to visit.

US tourists receive a warm welcome from US-style hotels with hash brown and streaky bacon for breakfast. There is an even warmer welcome for their dollars which allow the Caymans to boast a GNP higher than that of the UK.

Without the holiday trade, the Cayman economy would be seriously undermined. Caymanians have been able to prosper without income tax or the need to directly tax the financial community mainly because of the large amount of import duties collected on drink, food and all the other essentials necessary to sustain an American family abroad.

Caymanians go to the US mainland to spend much of their domestic income because import duties, coupled with carriage costs often make goods in Cayman stores prohibitively expensive for islanders. One government economist estimates that at least 40 per cent of Caymanians spend their incomes in Miami.

The recent moratorium on hotel building on Seven Mile Beach, the main holiday area, could not have come too soon.

It appears rather hollow, however, in that most of the beachfront gaps are being filled by condominiums.

Condominium developments may prove a substantial economic benefit in the long run. Apartment holidays are an attractive alternative to the hotels and some of the latest condominiums are high class apartments changing hands for up to US\$1.5m.

The use of hidden government taxes, such as levies on changing travellers cheques, room taxes in hotels, and airport duties, so widespread throughout the Caribbean, is a shrewd way of placing the tax burden on the tourist and so far does not appear to have been a deterrent.

Mr Jefferson is adamant that the policy of value added taxation will remain. "The consumer or resident is unlikely to agree to any sort of direct taxation," he says.

It appears a favourite pastime of Caymanians to forever turn stones looking for a crisis underneath. While the islands clearly do have economic problems, they are the sort that many of their Caribbean neighbours would gladly swap for their own.



The turtle farm produces about 12,000 hatchlings per year

## TURTLE FARM

## Floating assets

TURTLE Number 314 (weight about 300 pounds, age somewhere between 40 and 65 years) gobbles a pellet of custom-made turtle chow, executes a languid U-turn and makes a slow, shallow dive to the bottom of the pool.

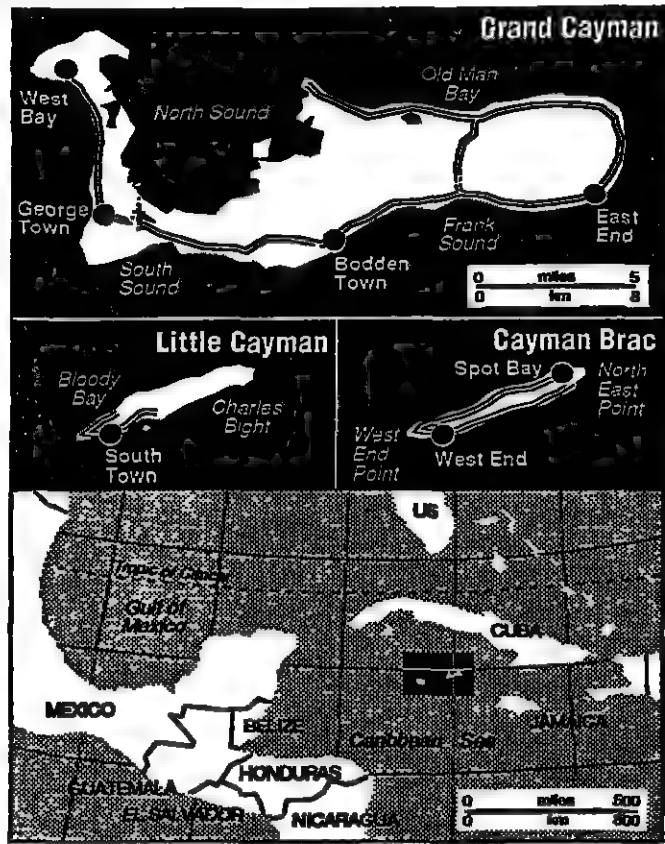
Number 314, and about 15,000 colleagues, only just made it to their relatively pampered existence on the Cayman Turtle Farm.

Before the economy of the Cayman Islands was transformed by tourism and financial services, Caymanians were seafarers, and the green turtle was the only easily available source of meat. The islands were originally named the Tortugas after the "tortoise", actually turtles. Over-fishing reduced the turtle population to near-extinction. Now the farm, a unique experiment, and an unusual livestock operation, is trying to rebuild the numbers.

When the farm was started in 1967 the turtles were marketed worldwide. The farm started with the concept that such an operation would eliminate pressure on turtles in the wild," says Dr Fern Wood who manages the farm with her husband.

As a commercial livestock operation, the farm ran into trouble in the 1970s when the Convention on International Trade in Endangered Species (CITES) prohibited trade in turtle products, saying the animal was an endangered species. When the venture faced closure in 1983, the government bought it and operated it as a tourist attraction which also met local demand for turtle products.

Cassie James



KEY FACTS	
Area	263 sq km
Population	28,400
Currency	CIS
Average Exch Rate	C\$1.2/US\$1.0
ECONOMY	
	1988
Total GDP (CISm)	428
Real GDP growth	18.2%
Total GNP (CISm)	384
Real GNP growth	18.8%
Budget surplus as % of GDP	1.3%
All government debt as % of GDP	5.9%
Exports (CISm)	1.8
Imports (CISm)	182.8
Trade balance (CISm)	-180.7
Trade dependency*	45.3
Inflation	5.2%
External liabilities of all banks (US\$m)	246,038
External assets of all banks (US\$m)	281,032
Insurance: gross written premiums (US\$m)*	1,618
Insurance: gross assets (US\$m)	4,481
Employment growth	3.3%
Visitor arrivals by sea (000s)	315.8
Visitor arrivals (000s)	218.7

\* May be understated due to net premiums being quoted by some companies

\*\* Exports plus imports as a % GDP.

Source: Cayman Islands Statistical Abstract

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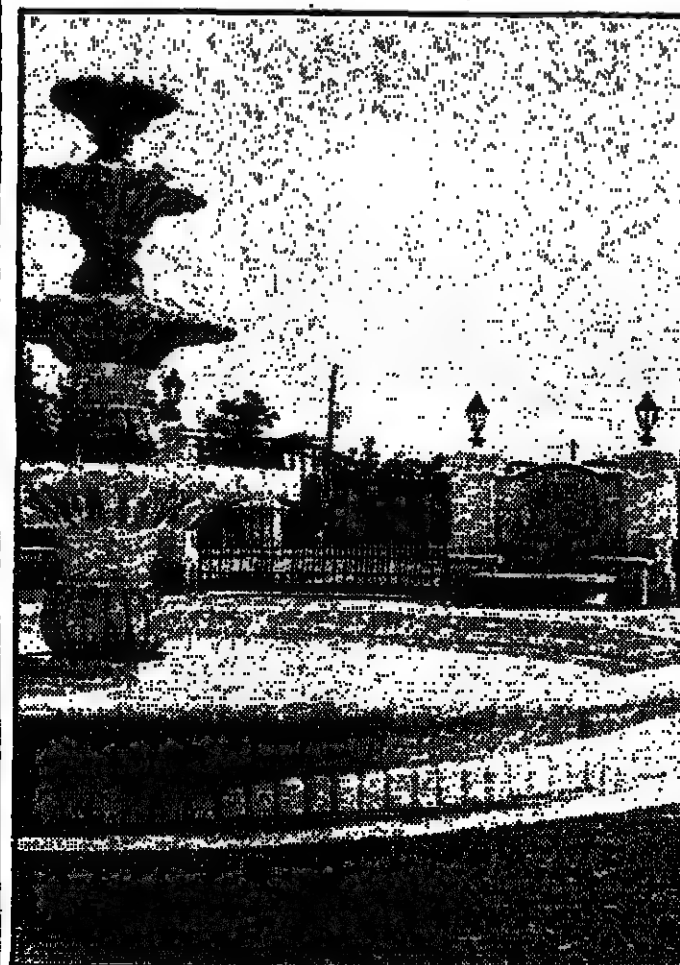
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For more information, call our Marketing Manager in Grand Cayman (809) 947-4777, or contact the office listed below, nearest you.

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or Fax: (809) 949-0165



## CAYMAN ISLANDS 3

PROPERTY: rapid growth may take its toll, says Canute James

## Profitable investment area

GROWTH OVER the last two decades in the tourist industry and the financial services sector has greatly expanded the Cayman Islands property market, mainly on Grand Cayman.

Developers and realtors agree that there is little to suggest that the property market will soften, in spite of changes in the international economy, although they do expect seasonal weaknesses.

Foreigners have been investing in retirement homes and condominiums here. According to developers, many of the investors have had a holiday in the islands, or a holiday or retirement home a sound investment.

Foreign companies involved in the financial services sector have also contributed by providing expensive homes for their expatriate employees.

On Seven Mile Beach just outside George Town a linear foot of seashore, if it can be had, goes for US\$10,000. This has set the pace for property values in other parts of Grand

Cayman. Less fashionable beach front property sells for between US\$1,000 and US\$2,500 per sq ft.

A sound economy and political stability have made property in the islands a sound and profitable investment. The market has also been encouraged by the absence of restrictions on foreign ownership of land, and by the government's land registration system which is helpfully clear on ownership.

The majority of those buying property in the Cayman Islands are Americans, the rest being Canadians, Europeans and South Americans, says Mr Billy Culbert of Seales and Company, real estate brokers.

"There are a variety of reasons for buying. Condominiums, for example, range from US\$100,000 to US\$1,000,000. At the low end, the purchasers are buying with financing and are looking for rental income when not using it. Over this range rental income would not support the purchase."

Mr Culbert says also that the market is being influenced by

companies operating in the Cayman Islands which use real estate to capitalise their operations.

There has been a concurrent surge in commercial property. In George Town's central business district, the cost of office sites has risen from US\$10 per sq ft in 1970, through US\$40 in 1980 to US\$80 per sq ft today. Realtors are forecasting US\$150 per sq ft by the end of this decade.

Inevitably, the changes have affected the taste of Caymanians. "There are two housing markets in Grand Cayman," explains Miss Christine Ballard, the director of planning. "In general, people build where they want to and not all of them are expatriates. Other areas, such as Saltaire and Governor's Creek, are millionaires' areas."

Mr Culbert says Caymanians have been selling their US\$150,000 homes and purchasing others for US\$250,000. "In the 18 months before last Christmas the market was very flat, but we had a surge of

activity in the first six months of this year," he reports. "It is now the off season, but in commercial terms we have had a real boom in the first part of this year and some land prices have doubled. Prices will continue to rise. The cost of construction went up ten per cent last year and we are looking at another ten per cent rise this year."

All this has placed a strain on infrastructure and support services. Utilities have to be provided to keep pace with development, transportation networks must be improved and labour must be imported.

The government recently imposed a three-year moratorium on hotel construction on Seven Mile Beach. The intention, say officials, is to encourage investment in infrastructure, to ensure that hotels are built in other areas, and ease the strain on facilities.

But Mr Mario Ebanke, manager of the chamber of commerce, says this is not enough. "We do not agree with a moratorium on hotels on Seven Mile Beach alone," he says. "Other



A three-year moratorium on hotel construction on Seven Mile Beach aimed to ease the strain on facilities.

hotels in other places will also strain the infrastructure and worsen the labour shortage.

"Planning regulations and guidelines need to be revised and developers must be made to maintain architectural integrity. If we grow as we are growing now we will need significant investment in infrastructure," he adds.

Miss Ballard observes it was only in the last five years that it became apparent that the rapid development had out-paced infrastructure. "Electrical services have been able to keep up, and water is being handled well by desalination

plants. But the problem with the road network is the most serious."

She is worried about moves to encourage growth in other parts of the island without adequate infrastructure being installed.

Mr Rodney Robinson, the government's economist, says the problem goes deep.

"Growth at current levels cannot be sustained because of the level of available infrastructure," he argues. "But Caymanians see planning as a dirty word. There is no active interest in Cayman in planning at the macro level."

## FINANCIAL SERVICES

## Secrets of success

WHILE GRAND Cayman is best known as a banking centre, its other financial services, including trust company formation, captive insurance and even a small ship registry, demonstrate the increasing sophistication of this financial community.

More than 22,000 companies are now registered in George Town. Many are companies held by family trust in corporations worldwide. Others are subsidiaries or holding companies. Many are held for channeling profits out of sight of the taxman.

Another important reason for offshore trusts or bank accounts is political instability in the client's own country.

One of the key factors in their establishment is secrecy. Clients want secrecy - bankers and lawyers prefer to say "confidentiality" - for reasons ranging from wanting to hide income from a spouse, to the president of a banana republic wanting to hide kickbacks.

The use of nominee shareholders and bearer shares can provide an almost impenetrable shield against investigation. One of the few improvements suggested in the Gallagher report (see Legislative Background, left) was that a provision within the Companies Act to allow bearer shares for exempted companies should be scrapped. The idea fell on stony ground.

Bearer shares allow individuals to register a company, then take away the share certificates which they keep or dispose of as they wish. They can prove particularly frustrating to attempts to trace a company's owners.

Mr Bill Walker, one of the most experienced and respected lawyers on the Cayman Islands, whose law practice, W S Walker and Company, has been handling trust company business for 25 years, says: "I always insist on keeping the bearer shares in my safe, but other companies allow people to take them away."

Cayman, with 380 offshore insurance licences in 1989, is the world's second largest domicile for captive insurance

after Bermuda, indeed because of Bermuda. When Bermuda was taking so much captive work it could not ingest any more, the Caymans stepped in to pick over the leftovers.

Most of the Cayman business initially involved establishing captives for doctors' groups insuring against medical malpractice claims. Bermuda had shown less interest in malpractice captives, favouring those established by the large multinational corporations.

Bermuda has re-entered the captive malpractice market, which has affected Cayman business, although most of its resident clients appear to be staying loyal to the Cayman

Growing financial sophistication is outlined by Richard Donkin

jurisdiction which employs a simpler law on captive insurance.

The soft insurance market in the US and the adoption of laws in a number of US states allowing the formation of captive insurance companies is beginning to eat into a formerly steadily increasing business for Grand Cayman.

The number of insurance licences issued in the Caymans fell for the second year, running last year after rising steadily between 1981 and 1987. Fewer offshore licences have been issued in the past two years indicating that the business has probably reached saturation point.

Mutual Funds have been identified as one of the large growth areas in the Cayman financial community. Mr Chris Johnson, a partner at Coopers and Lybrand, estimates that between 200 and 300 mutual funds have been established on Grand Cayman.

He warns, however, that accountants are becoming worried that, without regulation of the funds, the island could leave itself exposed to the activities of companies such as Barlow Clowes.

## LEGISLATIVE BACKGROUND: by Richard Donkin

## How a framework evolved

THE ARRIVAL last year of Mr Rodney Gallagher, a director of Coopers and Lybrand, dressed for business, carrying a briefcase, and intent upon examining the Cayman Islands as part of a British Government survey of offshore financial services in the Caribbean dependent territories, was viewed with some mistrust, if not outright resentment in George Town.

The Caymans had suffered from a bad press in the early 1980s, and deservedly so. Dozens of Cayman-registered companies and bank accounts featured in US investigations into money laundering, illegal secretion of profits or tax evasion.

The islands needed to put their house in order while retaining the core of confidentiality which they felt was necessary in order to survive as an offshore haven.

That they achieved some success in this is reflected in the opening remarks of Mr Gallagher's report, published in January: "The Cayman Islands are an example for all in regard to the efforts made to introduce sensible and relevant procedures for regulation and supervising of the offshore sector."

He continued: "In many ways Cayman legislation in banking, insurance and company management represents a 'model' legislation which many other offshore locations for financial services have indeed followed."

The Cayman Islands' development as an offshore centre began with its break with Jamaica nearly 30 years ago. For three years before Jamaica's independence in 1962, the Caymans debated whether to remain linked with Jamaica or to become a crown colony of the UK. They opted finally to become a dependent territory within the British Commonwealth.

The framework for development as a financial centre began to be established as early as 1961 when it passed legislation for the formation and organisation of companies. Five years later Cayman started to lay the legislative foundation for the financial community.

First, the Caymans withdrew from double taxation treaties agreed between Jamaica and other jurisdictions to which the islands had been a party. Under the treaties, Cayman companies were required to provide financial information on demand to other treaty countries, particularly the US, which wanted to keep a sharp eye out for nationals seeking to avoid paying tax.

The Banks and Trust Companies Regulations, the Trust Law and a new Exchange Control Regulation law in 1968 provided scope for the movement of funds by foreign investors.

Grand Cayman began to blossom as a tax haven. It was increasingly attractive to Americans eager to hide money from the taxman. But the US Inland Revenue Service followed on the heels of the tax dodgers. Subpoenas were even served at US airports on American or Caymanian citizens about to leave for the islands.

The government moved to stop the US intervention in 1976 with the introduction of the Confidential Relationships (Preservation) Law which made disclosure of information to third parties by banks or government officials a serious crime punishable by imprisonment or a fine. But what had been intended as an extra layer to veil Cayman companies from outside scrutiny was interpreted as a money launderers' charter by those who advised drug barons where their profits could be safely hidden.

"People used to come here with

their suitcases full of money. We thought it was because we were a tax haven. It really didn't dawn on us that some of it was drugs money being moved around," says Mr Vassell Johnson, a former finance secretary.

The years of 1983 and 1984 saw the islands under increasing pressure to co-operate in laundering investigations. The confidentiality law was sorely tested in 1983 when the Bank of Nova Scotia was caught between the powers of two jurisdictions. Significantly, it chose to defy the more powerful US, rather than break Caymanian law. The US subpoenaed the bank to provide information in connection with the channelling of proceeds into Cayman Islands accounts, in addition to a number of cases of tax evasion.

The bank's US subsidiary was fined \$25,000 a day when it failed to do so. The bank had learned out that under Cayman law it could release the information if the US were to prepare an affidavit for the Caymans Grand Court showing how justice would be served if the documents were passed

over. The US refused in spite of Canadian, Cayman and British government protests at the application of US law in an overseas territory.

Some 40 subpoenas later, with a fine amounting to \$1.8m, the bank surrendered the information. The case left a bitter residue in the Cayman Islands, which remain deeply suspicious of US inquiries into its affairs.

The case also undermined the need for Cayman to address drug money laundering and in 1984 it signed a narcotics agreement with the US under which the Cayman authorities agreed to allow specific investigations and sanction acquisition of documentary evidence.

The Cayman authorities have so far helped in about 70 cases. Some 12 inquiries are currently under way.

The agreement paved the way for negotiations on a Mutual Assistance Treaty signed in July 1988 and ratified this year. Mr Johnson says the treaty has provided positive advantages in frightening away drug money while also reassuring those who simply want to use the Caymans as a means of avoiding tax. "We stated quite clearly that inquiries about income or direct tax could not be accommodated here since we have no tax treaty and non-payment of tax is not regarded as an offence. That had the effect of preventing fishing expeditions on tax matters."

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## COMPANY REGISTRATION

IN EXCESS OF 22,000 COMPANIES are registered in the Cayman Islands for purposes of investment, sales, trading, shipping, insurance, real estate and a wide variety of other kinds of international finance and commerce. To the benefits of operating in the islands' stable tax-free environment are added the advantages of an efficient, computerised system of company registration and simple availability of company management expertise. Companies can be incorporated in two or three days.

The Companies Law is based on the United Kingdom's Companies Act, 1948, with amendments to suit the offshore situation. Four types of company may be registered: companies limited by shares; companies limited by guarantee; unlimited companies; and non-profit associations. They may be either ordinary companies, exempted companies or foreign companies.

Exempted companies, which form a large minority of those at the Register, are licensed to operate offshore. They can enjoy a government guarantee that should default occur be introduced they will be exempt from it for at least 20 years.

Anonymity is guaranteed by a strict confidentiality law. Nominee shareholders may be registered by exempted and ordinary companies, so that the beneficial shareholders are not recorded or known to the Registrar. Alternate directors may also be appointed, easing the statutory requirement of holding an annual meeting in the islands.

A recent law amendment allows a company to be formed with only one subscriber. It is also an advantage that an exempted company does not have to file audited annual accounts.

The Companies (Amendment) Law, 1988, added a new Part XI - Transfer By Way Of Contribution. In essence, this allows for the import and export of companies between the Cayman Islands and the specified jurisdictions, provided certain requirements are met.

Grand Cayman is well supplied with companies providing company management services, most of them being associated with local legal firms and accountancy practices. They are subject to registration and regulation by the Registrar. Such firms are able to provide registered offices, nominee directors and other similar services.

For a foreign company, which is a company incorporated outside the islands but carrying on business within the islands, simplified registration procedures apply. Enquiries about company formation may be addressed to: The Registrar of Companies, Tower Building, Grand Cayman, BWI, Tel: (809) 94-97999.

## BANKING

THE CAYMAN ISLANDS have no central bank, and the money supply is regulated by the Cayman Islands Currency Board, a statutory body set up in 1972 when the Cayman dollar (C\$1-US\$1.20) was first issued. The board maintains its reserves mainly in US dollar-denominated government-guaranteed securities. At the end of 1989 the board's assets stood at C\$29.8m, and currency in circulation amounted to C\$21.1m.

Despite the lack of a central bank, the Cayman Islands have developed a remarkably sophisticated banking system, which has grown rapidly into one of the foremost offshore banking centres in the world. In a British Colony with a stable, progressive government sensitive to the needs of the banking community, banks have been keen to obtain licences to operate here. Other advantages include excellent communications, ready access to the eurocurrency market, a readily available pool of legal and accountancy expertise, and effective prudential supervision. As a result, there are now almost 540 banks and trust companies licensed by the government.

The explosion in recent years has been to attract only well established banking corporations, and of the world's 50 largest banks 46 now have Cayman Islands licences. The largest number are from Western Europe (83 per cent), with North America (30 per cent) a close second, but overall banks from 60 countries are licensed. Total assets of the Cayman Islands operations of these banks reached some US\$359bn at the end of 1989, a figure reflecting the islands' importance at the centre of the global eurocurrency market.

Two types of licence can be issued, "A" and "B", though there is also a restricted version of the latter which allows the licensee to deal only with certain named customers. In principle the distinction between the two categories is one of function rather than quality. An "A" licence bank, of which there are 33, may undertake domestic and offshore business, while a "B" licensee is limited to offshore business only.

The Inspector of Banks and Trust Companies, seconded from the Bank of England under the technical assistance programme of the International Monetary Fund, heads the Banking Supervision Department of the Cayman Islands Government. He and his staff conduct close supervision of banks in accordance with the Principles for Close Supervision of Banks' foreign establishments, better known as "The Basic Concordat". Regular meetings are conducted with the banks and internationally accepted standards are required. Banks have come to expect supervision and the close, effective, yet market orientated, prudential supervision carried out in the Cayman Islands meets this specification.

The Cayman Islands Banking Inspectorate is committed to playing its part in the war against money laundering. The Inspector has written to all banks and trust companies drawing their attention to the Money Laundering Law and enclosing a copy of the Basic Statement of Principles, principles designed to ensure that banks have proper systems and controls for knowing their customers. The Cayman Islands Bankers Association, with the encouragement of the Inspector, has issued its own Code of Conduct covering much the same ground.

A new banking act, The Banks and Trust Companies Law, 1988, came into effect in June 1989. This law replaces the old 1969 law and captures under one statute the various amendments and policy issues introduced since then.

## INSURANCE

AFTER TEN YEARS of careful planning and nurturing the Cayman Islands Offshore Insurance Industry has come of age.

A decade ago the islands passed its Insurance Law which laid the framework for the development and growth of the offshore insurance industry. June 1990 marked a watershed in the industry with the celebration of the 10th Anniversary of the Law.

In looking back at the achievements of the last ten years, several highlights stand out. The islands are now the second largest captive domicile in the world with 257 licensed captives which have in excess of US\$2bn in assets. The principles and philosophy embodied in the Insurance Law have been adopted by other countries seeking to develop captive insurance industries. This excellence was also recognised by the UK Government's 1989 Report on Offshore Financial Centres, which said, "In many ways Cayman legislation in Insurance... represents 'model' legislation which many other offshore locations for financial services indeed followed."

A major contributing factor to the success story has been the islands' infrastructure, in particular the professional support services for captives. There are 27 Insurance Managers licensed under the Law which actively provide services for the captive industry. Other professional services include offices of the five major worldwide accounting practices and a number of high quality legal firms. Backing up these professional services is an excellent communication system and a variety of first class hotel accommodation.

Completing the insurance industry is the large offshore Banking Industry offering a variety of financial and investment services. There are no foreign exchange controls and no corporate or similar taxes. A further plus point is a stable political and social environment coupled with a strong economy.

The offshore Insurance Industry is supervised by the Department of Insurance which has both insurance and accounting expertise. A licence application can be processed in under four weeks.

The Cayman Islands has positioned itself to provide a high standard of services for international clients wishing to establish offshore captives.

The objective for the 1990's is to encourage the continuing growth of the industry by attracting good quality captives. For further information and a copy of "Cayman Islands Guide to Insurance" write to Department of Insurance, Government Administration Building, Grand Cayman, BWI.

The Cayman Islands  
Bankers Association

Brochures and information pertaining to our members can be obtained from the following address:

Cayman Islands Bankers Association  
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## CAYMAN ISLANDS 4

TOURISM: a vital role outlined by Canute James

## Increasingly popular port of call

BY THE end of December just over 620,000 tourists will have visited the Cayman Islands during this year. That is 23 times the size of the resident population of the islands.

There is little indication that the islands are in danger of being overrun by tourists, although there is concern about the ability of the infrastructure and support services, including labour, to deal with ever increasing visitor arrivals.

Unlike its neighbouring rival resorts, the Cayman Islands do not offer casinos and night clubs. "We offer relaxation for people who want to get away from it all," says Mr Norman Boddan, the government member responsible for tourism, aviation and trade.

Tourism is important to the Cayman economy. Two thirds of the 614,000 visitors to the islands last year arrived on cruise ships, the others by air. They spent C\$144m - a figure which helped offset a merchandise deficit of C\$213.5m on a volume of C\$1217.7m. The administrators seem confident that the growth will continue, in spite of a few likely domestic and external problems.

The rapid expansion of tourism has strained the infrastructure (see Property, on Page 5). Further expansion of tourism will increase demand for labour, most of which will have to be imported.

Mr Boddan, however, believes that there is still room for growth. "Except for 1987, growth has been at around ten per cent per year," he explains.

"We can sustain this growth for several years to come. Hotel occupancy averages 70 per cent, so there is room for expansion without undue stress on the infrastructure."

"However, we do not want growth at a rate which will damage the quality of the service, because we do not want to lose our market share. If there is an increase of between seven per cent and ten per cent annually, I will be happy."

The industry benefits also from the fact that the Cayman Islands do not have the chronic social problems of many of its neighbours and competitors. "Visitors here are safe," says Mr Alan Ratcliffe, the commissioner of police.

But there are aspects of its tourist industry which the Cayman Islands administration cannot control. Over 80 per cent of the tourists are from the US and the performance of the US economy is viewed with more than passing interest. Indications of a slowdown in the US economy in the last quarter of this year promise a cut in the volume of visitors.

"Slowdowns in the US economy do not affect Cayman Islands tourism very much," says Mr Thomas Jefferson, the financial secretary. "There is a slight lag, but what helps the Cayman Islands is that we are catering for the upper and middle income tourists, so a recession does not necessarily affect their travel plans."

Mr Boddan too says that the type of tourist visiting the Cayman Islands offers some protection from the vagaries of the US economy. "If the US sneezes, we catch a cold. We are worried about the US economy and all our plans are based on the state of the US economy."

However, he adds: "We have traditionally targeted the middle and top income bracket. Our marketing campaign is aimed at those in the US\$100,000 per year income bracket. We have not gone in substantially for the charter market, and charters now account for just over 17 per cent of our business."

In spite of this, there is apparently some concern about the type of tourist visiting the Cayman Islands. Visitors are sometimes subject to lengthy and intensive searches and interrogations at ports of entry. Mr Boddan says that this has not deterred prospective visitors, and that there have been few complaints.

While Cayman Islands tourism has made much of its proximity to the US market, hoteliers and government officials threaten potential alternatives for tourists seeking a Caribbean holiday. "The type and quality of service we offer should protect us from competition from places such as Cuba and the Dominican Republic," says Mr Boddan. "The opening up of Cuba, and expansion in the Dominican Republic will affect some countries, but we are English-speaking with a large market in the US, which is English-speaking."

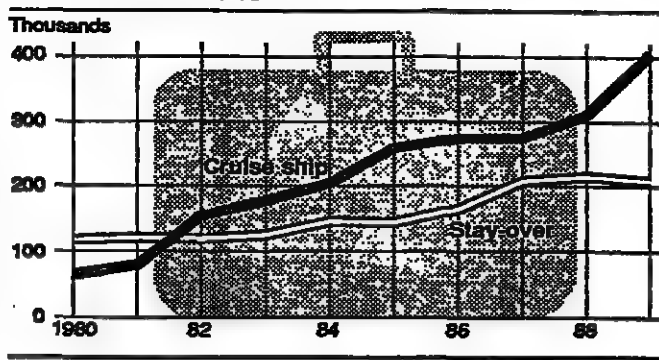
Nonetheless, the Islands' administration is attempting to broaden its market. Only five per cent of tourists come from Europe, but the volume in July of this year was 25 per cent higher than July 1989. The Cayman Islands are also being heavily promoted in Japan.

The government claims also that the tourist industry is supported by Cayman Airways, which it owns, and which operates a fleet of two Boeing 737s. A subsidy of C\$1m this year to the airline, Mr Boddan says, must be seen against the role the airline plays in the tourist industry.



Over 620,000 tourists will have visited the Caymans this year

## Tourist arrivals



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POLITICS: change is coming, by Canute James

## Consensus may give way to party system

WHEN A commission from the Foreign and Commonwealth Office begins a review of the Cayman Islands' constitution in the new year, one fundamental political issue will not be addressed.

There will be no question of severing ties with the UK, says Mr Benson Shanks, the government member responsible for education, recreation and culture. "Caymanians know that our stock in trade is in the Union Jack with the Caymanian flag in the corner."

Mr McKeeva Bush, a leader of the backbenchers in the legislative assembly whose revolt over various issues including the annual budget last year led to the constitutional review, says there is no support for political independence.

Caymanians agree that much of the islands' economic health and the growth of its financial services sector and tourism can be attributed to its status as a crown colony. "A fundamental change in relations with Britain is highly unlikely," says Mr Alan Scott, the governor.

The Cayman Islands were made a dependency of Jamaica in 1963, but those crown colony status in 1962 after Jamaica became independent. Under a constitution implemented in 1972, increased responsibility for administration was placed in the hands of elected representatives.

Of the 12 elected representatives in the legislative assembly, four are chosen to be on the executive council with three official members - the financial secretary, the attorney general and the administrative secretary.

The eight elected members of the legislative assembly - the backbenchers - have traditionally supported the government on everything. But this consensus was shattered last year when the backbenchers behaved more like a parliamentary opposition.

They managed to get the traffic regulations amended to allow high speed motor cycles on the islands. They debated a change in the fleet of the government-owned airline, and filibustered with some success when the budget was debated.

The rebellion forced a change in the composition of the finance committee, which was made up of the 12 elected members with the financial secretary as chairman. Two official members were added.

To some Caymanians, these seemingly innocuous developments represented a dramatic change in the island's politics. It was, however, a different but related development which indicated that some constitutional changes were needed.

"The backbenchers tried to get a change in the constitution to allow seven members of the legislative council the power to remove the executive council," says Mr Norman Boddan, the government member responsible for tourism, aviation and trade. "That would mean a simple majority against the present system where a two thirds majority, or eight, is needed."

This led the government to ask for a review of the constitution to see what changes, if any, should be made.

Mr Bush says, however, that the government has not acted properly. "We had a crisis in government. The government should have resigned when it was clear it was in the minority position. We follow a Westminster model in which the majority rules."

This is countered by Mr Ebanker: "We have not had a political crisis, but there has

political parties could exacerbate political divisions, particularly in such a small place. Eventually, maybe for the 1992 election, we will see the emergence of stronger alignments than before, with a slate of candidates."

Mr Bush, on the other hand, has concluded that the time is ripe. "Political parties are created by polarisation, and we now have the polarisation, but not the parties. I believe in the party system, and it works. If parties are being created, I will have to speak to my people with a view to creating one."

Government members and backbenchers differ over the changes they expect.

"I see only cosmetic changes, but nothing fundamental," says Mr Ebanker. "But even cosmetics will affect the fundamental workings of the government. Members will be called ministers, and I see a chief minister and a cabinet."

The backbenchers are hoping for an increase in the size of the executive council to spread responsibility for the management of Caymanian affairs. "We would also like to see a bill of rights, and to have the office of speaker filled by someone from outside the house," says Mr Bush. "But we will not agree to any constitutional change without a general election after the commission has concluded its report."

Caymanian politicians have been pleasingly free of corruption. "Conflicts of interest are impossible to avoid completely," says Mr Tomkins. "But... there is no need to cross any official's palm." Mr Bill Walker, senior partner of W S Walker and Company, one of the leading law firms in the Cayman Islands, says this has contributed to the healthy economy.

It is highly unlikely, however, that Caymanian politics will return quickly to seamless assembly sessions which preceded the backbenchers' revolt. "What we see here happens in every parliament in the world, but in our case it appears more dramatic because we are a small society," explains Mr Mario Ebanker, manager of the chamber of commerce. "Young, aggressive, educated politicians are going against older, more established ones."

been a lot of misunderstanding on the part of the backbenchers. Suddenly they realised that they had political muscle and they decided to flex it."

Although they have high economic sophistication, the political culture of the Cayman Islands is parochial, understandably conservative and, after years of consensus politics, it is based more on personalities than on issues.

Each elected member represents, on average, fewer than 1,000 voters. There are no political parties, but loose alliances based on personalities.

"There are no political divisions in terms of left and right," explains Mr Peter Tomkins, managing director of the Cayman National Bank.

But the emergence of issues as the basis of parliamentary debate, and indications of political polarisation, have suggested the imminence of party politics.

Mr Boddan's view is that

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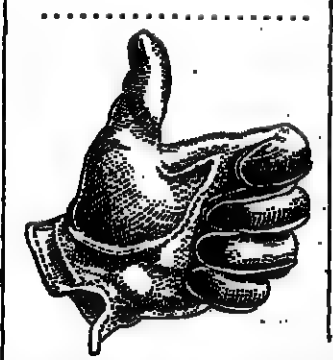
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THE FIRST statistic the Cayman Islands banking fraternity likes to wheel out is that George Town is home to 540 international banks. The first question a newcomer is likely to ask is "Where are they?"

Most of the modern square blocks in what would otherwise be a tiny fishing village are occupied by banks, lawyers and accountants, but only 70 banks have a physical presence with offices and staff. Eight of them carry out local business. Most of the others are plastic name tags on a wall. Their business is handled by one of the banks licensed to hold local accounts.

The second statistic is just as impressive as the first. The balance sheet total of all the Cayman banks at the end of 1989 was \$550bn, making it one of the world's biggest bank booking centres. In terms of total bank deposits in mid-1988 it was fifth in the world behind the UK, Japan, the US and France.

There is no disputing the importance of Cayman for international banking. Some 46 of the 50 largest banks, including the top 10 Japanese banks, have a presence there. In 1989 35 banks had A-liveness, allowing them to undertake local

BANKING: Richard Donkin on the attractions

## Made to feel welcome

business, and 503 had B-liveness, which allow banking and trust business outside the Caymans.

Banks were drawn here because Cayman could provide one of the most stable environments in the Caribbean, with proximity to the US mainland and excellent communications.

The first real surge reflected the fall-out of banks from the Bahamas when they were granted independence in 1973. The banks feared political instability and sought refuge in the welcoming arms of shrewd Cayman Islanders, particularly those of Jamaican-born Mr Vessel Johnson, a former financial secretary of the Executive Council. He constantly reminds islanders of the need to provide a comfortable environment for the financial community.

"If we were to erect a statue of anyone to commemorate his contribution to the banking community here, it should be to Sir Lynden Pindling, the Bahamas prime minister," says

Mr Johnson. Part of the appeal for individual bank clients are the islands' zero tax status and the well constructed defences against extra-territorial tax inquiries. These guarantee a high degree of protection for anyone avoiding or evading taxes.

As one resident puts it: "We don't even recognise the concept of income tax here. Tax is a four letter word, a bogey word. We don't like to use it and prefer to talk of revenue enhancement where we do impose hidden taxes."

Excepting the tax advantages, the prime reason that many banks choose to reside in George Town, says Mrs Jennifer Dillbert, deputy inspector of banks and trusts, is to allow New York branches to raise funds in the Cayman Islands, thereby avoiding the need to meet reserve asset requirements in the US.

The US Federal Reserve chooses to allow it to continue, but "If they decided not to allow it, we would lose 300

banks. That is what makes the business so flexible. It is so dependent on outside factors," says Mrs Dillbert. An example was the desertion from Grand Cayman of most of the Danish banks when the Danes changed their exchange controls.

While banking has Cayman's highest sectoral growth rate, it still trails well behind tourism in its direct contribution to the economy. Indirectly, however, the contribution is far greater. Banking employed 1,100 people in 1989, 851 of them Caymanians, the third largest employer behind the government and tourism.

It also lends the islands a wealth of expertise and helps to draw in high net worth individuals, who often discover the island for the first time when they come out of curiosity to collect their bearer shares or see their company name on a wall.

Conscious that bank and trust company confidentiality has been exploited by criminals in the past, the Cayman Islands Bankers' Association has introduced a code of conduct for members. Mr Nicholas Duggan, the association president and managing director of the Bank of Butterfield, says: "The code says 'know your customer'. That is our Achilles heel, no question about it."

INTERNATIONAL PRIVATE BANKING INVESTMENT &amp; CORPORATE FINANCE

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## ARTS

## La Tempête

THEATRE DES SOUFFES DU NORD, PARIS

"La mer la change en un objet riche et étrange", Shakespeare in French is still Shakespeare. Minus the original poetry, Peter Brook's new Paris production (on tour at Glasgow's Tramway next week) shows how much else there is to the play.

Brook's cavernous Bouffes du Nord theatre, with its hollowed-out arches and peeling paint, has the feel of a classical ruin, a place of myth and legend. Here Prospero's kingdom is relocated culturally as well as linguistically: French effervescence combined with multi-cultural strangeness and splendour.

Turning the "colonial" reading of the play on its head, Brook casts the black African actor Sotigui Kouyaté as Prospero, the Indian actress Shantala Malhar-Shivalingappa as Miranda, and David Bennent as Ariel.

Bennent played Oskar who wouldn't grow up in the film of *The Tinseltown*; he brings the same concentrated destructiveness to his role as the outsider with the ground-eye view of things here. Gnarled into a paper box (a resident of cardboard city) like a wound-down toy, he springs into convulsed life as a cross between a child and a dog: barking, licking, biting, lapping up wine until it spills out of him, eyes rolling. No pathos here; only the manic fantasy of demotion.

By contrast the Malé actor Bakary Sangaré's fluttering staccato Ariel is a spirit whose human-ness thrills. All quivering desire, he enters bearing on his head a model ship with which he demonstrates how he whipped up the waves; he flaps his arms like wings, trips along on his toes, click-clicks his tongue and capers up the theatre wall. In Harne Momoyama's specially composed songs, his longing for freedom breaks in whoops and wails, then in coquettish persuasion. This

is an Ariel who bubbles over as he plays his games but indicates their seriousness by throwaway gestures and glances of ironic sympathy.

With Ariel so pivotal a role, there's a lightness of being about this production which is more reminiscent of dance than drama. On an empty sandpit stage, people become props. Green spirits with plants growing out of their flippers create an ever-changing island: try to catch them and they're gone, like the thistle butterflies on the branches held out to Ferdinand and then maddeningly withdrawn. Another time, a boat is mimed into existence with a humberod. Peering above it, the face of Japanese courtesan Gonzo (Yoshi Oda, a beautifully moving performance) changes from politeness to surprise to alarm as the boat is raised out of his reach and he collapses crying for a dry death.

Using a host of unexpected techniques - African and Japanese dances, Indian sitar music, mime and acrobatics - and black actors like Kouyaté and Sangaré who are confident at ease with the conjurer part of their roles, Brook makes magic seem a natural part of the action of the play. Like his RSC *Midsummer Night's Dream* in 1970, this production works like a child's box of enchantments.

It's a small price to pay, but the loser in all this is Sotigui Kouyaté's Prospero, whose personal battle with bitterness and forgiveness is swallowed up in his role as magician. Kouyaté has a lean, haunted face and an awesome stage presence but his inner calm comes from resignation, not from resolved tensions. Self-effacing, his emotional energy seems to go in leading others to a freedom of the mind.

This is done movingly when he reunites Alfonso and Ferdinand with brilliant playfulness when Trinculo (Bruce Myers), adorning himself with velvet robes and gloves and hats, looks across the stage to see Ariel hidden out in the same place, over-acting the same kind of gesture: a white-black mirror image to startle the buffoon into self-knowledge. What we have here is Prospero the psychoanalyst rather than Prospero the dramatist in control of his own part. When he comes to throw off his art and face mortality at last, we are uneasy on his behalf.

Jackie Wullschlaeger



Bakary Sangaré as Ariel

## Trio Fontenay

WIGMORE HALL

They look barely old enough to have been a settled ensemble for a decade, but the Fontenay team can look forward to a long international career. They are a piano trio; though the strings - violinist Michael Kücke and cellist Niklas Schmidt - boast plenty of character and intelligence, it is the piano who leads, as is often the way. Haydn's piano trio, after all, was never generous to the strings, and while later composers learned to treat the medium more even-handedly the piano itself developed more and more horsepower.

Wolf Hanen does not overplay his hand (though there were some shifty moments on the early Brahms Trio in B), since both Charles Ives and Dvorák, in his "Dusky"

Trio, wrote as for three distinct individuals. Ives particularly, in his Piano Trio of 1904, clearly felt the need for change in his concerto-like but somewhat boring life, a pianistic dance covering the walls of his salon would instantly transport him to an exotic land. There was an endless choice of subjects and locations - Peru with lush palm trees, crusades liberating Jerusalem or the 1920 burlesques in Paris. 197, Rue de Rivoli (42083110), closed Mon, Tue, 10.00pm, except Tuesdays. Ends Dec 31 (42083165).

Such slight reservations as I had about their Dvorák and Brahms, excellent performances both, resulted from the searching intensity with which they address their music. Dvorák's sequence of "dimly" gleamed with all the right contrasts, and his textural inventions were sparklingly realised. All one missed was some relief, some stretches of that relaxed, sunny breadth which is the

peculiar gift of Czech music. The best Czech trio regularly reveal this in their Trio; these young Germans don't imitate easily.

In Brahms the Fontenay were deliberately searching, determined to find the sharpest profile for every idea. It was rewarding to hear - but for early Brahms (however much revised later) it was also excessively measured. Some of the characteristic élan was missing, though they brought off the Adagio exquisitely. In the quicker music - their "Allegro con brio" was downright maddening - there was nothing reckless, and the middle-Finale risked becoming flat. Which is only to say: these are musicians of high seriousness and skill, splendid to hear, who can learn to be less unrelenting as they mature.

David Murray

## CINEMA

## Mobsters on a carousel of crime

Have you ever been pulled along a street by an over-enthusiastic dog who supposed that his lead was for leading you rather than vice versa? Then you will know what watching Martin Scorsese's *GoodFellas* is like. Exciting, frightening, indecipherable and as one would expect from the director of *Taxi Driver* and *Raging Bull*, very upsetting to the expectations.

We begin with a "dead" body making noises in a car boot and being savagely terminated with knife and gun. We follow the story of the three terrorists through 2½ blazing hours of action: they are senior mobsters Robert De Niro and Joe Pesci and younger narrator Ray Liotta. And we end in an accelerated of drugs, intrigue and violence, as if the carousel of crime will stop only if someone throws the spanner of the law into the whole machinery of East Coast American society.

After the stormy welcome the world gave *The Last Temptation Of Christ*, Scorsese's honest attempt to humanise the gospel, it is as if the director has said "No more Mr Nice Guy." Based on Nicholas Pileggi's best-selling Mafia exposé *Wiseguy*, the film thrusts us nose-first into the world of Cosa Nostra. Recruited into the mob after running youthful errands for a beefy Mr Rig (Paul Sorvino), young Henry Hill (Liotta) becomes our Jewish-Italian hero-protagonist. He watches with awe and fascination as an ethnic minority in little old Brooklyn acts like the Borgias of yore in little old Rome.

There is Mr Sorvino, a fat cat who tyrannises the neighbourhood while barely moving from his dinner bowl. There is Robert De Niro, friendly, steel-grey and psychopathic. And most menacingly there is Joe Pesci, killer and braggart, who behaves like a vat of nitro-glycerine asking every passer-by to shake him. Pesci took second place to De Niro in *Raging Bull* but here he is a scene-stealing phenomenon. A squat, snarling Panchinello, he is not content with the average Mafia regimen of shooting and stabbing known transgressors. He beats or insults almost anyone in sight. And he ceases to be a laughing matter when he shoots in the foot a young barman and later shoots him dead when the plaster-footed youngster dares to complain.

The scene is typical of *GoodFellas*. Scorsese drags us through the scalding plot, co-opted by him and Pileggi, without pausing once to bathe our foreheads in either easy comedy or facile moralising. He forces the viewer to implicate himself with the characters. Speed and excitement are great moral dispossessors. Just as we leave our stomachs behind on a rollercoaster, we keep leaving our consciences behind here. We throw off all our art and face mortality at last, we are uneasy on his behalf.

Most of all, we are caught up in the ease with which the business logistics of crime elbow out humane and ethical perspectives. In Liotta's final day of reckoning, before he bows to the law



Ray Liotta, Robert De Niro, Paul Sorvino and Joe Pesci in Martin Scorsese's 'GoodFellas'

and opts for confession and a witness protection scheme, we follow him hour by hour, minute by minute, as he hurries from drug pick-up to drug drop-off, from trust to shady trust. His eyes blacken with exhaustion even as we watch, and his beloved Bolognese sauce simmers on the dinner stove as he dashes home for brief bullets to the wife and friends on how to keep it straight.

Has any movie better captured the famed banality of evil? When the human treadmill operates at full speed, a satepian of spaghetti sauce seems on the same level of urgency as a murder or shipment of killer drugs. (The fellowship of crime and food is also cannily celebrated when Sorvino, Pesci and De Niro land a brief jail-term and do all their own cooking. "We owned the joint" crows Liotta's voice-over as satepian bubbles and pastas steam.)

In the great Hollywood Mafia symphony, *GoodFellas* is a scherzo to the large of *The Godfather*. Scorsese fills the movie with inspired moments of visual shorthand. Characters walk along a street, freeze-frame, then continue walking. A single camera movement, swooping or soaring, makes more story-points than many a director would make in six shots. This is Hell on Earth as a perpetual mobile. In the Dante-esque images of Mafia movies, *GoodFellas* is the inner circle of humanity, defying nature's laws by moving faster than the outer circles.

Next to *GoodFellas*, with its passionate refusal to moralise, watching Andrzej Walda's *Korczak* is like being handcuffed by your parents and driven by the non-sensory route to Sunday School. As soon as I heard what the great Polish director's new film was about - he says it will be his last - I groaned inwardly. Dr Janusz Korczak, real name Henryk Goldkmit, was a pioneer Jew-

ish paediatrician who succoured some 200 orphans of the Warsaw ghetto during the second world war, before he and they were despatched to the gas ovens at Treblinka.

Heaven knows it is a worthy subject. But we quake in alarm at the possibilities for piety, and we quake even more as these possibilities are realised. Filmed in penitential monochrome, *Korczak* trudges on through the radiant stations of martyrdom. First stop: Exposition ("Everyone says that war in Europe is inevitable..."). Second stop:

GOODFELLAS  
Martin ScorseseKORCZAK  
Andrzej WaldaBETSY'S WEDDING  
Alan AldaA SHOCK TO THE SYSTEM  
Jan Egleson

Entry of the Nazis plus comic-strip vocabulary ("Polish swine"). Third stop: Scenes of the good doctor telling the Huns how to behave. ("There are human laws and divine laws"). Fourth stop: Fate crunching into view, with its rolling stock of cattle-trucks and close-ups of faces glistening with hope and despair.

Historical tragedy, like any other genre, must surprise and excite. You cannot simply lay out events with the luminous solemnity of a lantern-slide lecture and expect audiences to respond. In *Ashes And Diamonds* or *Danton* or *Man Of Marble*, Walda treated history as a living thing; it thrashed about under his gaze like a monster fighting against capture. In *Korczak* the monster is captured,

bound, tranquillised and semi-dead. Not even actor Wojtek Posniak (Walda's one-time Robespierre) can inject a convincing twinkle into the beast, although his craggy forehead and burning eyes do their best. This is art as emblem.

Both *Betsy's Wedding* and *A Shock To The System* are amiable Hollywood misfires. The first, written and directed by Alan Alda, asks "Wouldn't it be funny to gather together three socially incompatible families under one New England wedding tent, for the marriage of a Jewish-Italian girl (Molly Ringwald) to a white Anglo-Saxon yuppie?"

Yes, Mr Alda, it might be funny. You, as Miss Ringwald's father, certainly try to make it so. Your familiar persona of a duck trying to turn into a giraffe always delights me. But why did you not provide better roles and lines for both yourself and your cast, which includes Madeline Kahn, Joe Pesci, Burt Young and Ally Sheedy? And what happened to the alien-like sharp social satire of your first and best film, *The Four Seasons*?

In *A Shock To The System* businessman Michael Caine fails to get job promotion and so electrocutes his wife in the cellar. There are some intervening causal stages here, but they can be disregarded. So, broadly speaking, can the movie. As directed by one Jan Egleson, it resembles an episode of *Columbo* in which the small, squinting detective has unaccountably failed to turn up and the cardboard supporting characters find they must shoulder the whole plot. Elizabeth McGovern, Peter Riegart and Will Patton co-star; Andrew Krieger scripted; and Mr Caine proves it is possible to live and work in New England without ever being asked why you are speaking with a Cockney accent.

Nigel Andrews

## Lyons Biennale de la Danse

The three-week Lyons Biennale de la Danse this year was called "An American Story". The young Martha Graham, jumping and decked in the American flag, was on the posters all over town. Most of the leading American modern dance companies visited. Balanchine's choreography was represented by Miami City Ballet.

Clement Crisp and I have already reported on appearances by the Martha Graham, Merce Cunningham and Paul Taylor companies. I also took the opportunity to see two similar companies founded by choreographers Alvin Ailey and Lucinda Childs.

The Alvin Ailey Company, one of the world's leading exponents of black dance, tackles a range of styles - jazz, modern, rock - and half the Lyons programme I caught was in non-Ailey choreography. In Lar Lubovitch's *Nord*

Star, they are better - more full-toned, more exact - than Lubovitch's own company. Talley Beatty's *The Stack-Up*, however, is a crass lump of rock verbiage, encouraging them to play a range of modern music (the drug-takes-the-pusher...). What of Ailey's own choreography? His *Hidden Rites* (1973) I found wearisome heavy. When the movements weren't big (not often), the dynamics were. But in the 1982 Ailey solo to Duke Ellington's *Reflections in D*, the veteran dancer Dudley Williams produced the lyric fantasy I'd been looking for. And grace, dignity, humanity to boot.

Lucinda Childs is currently making a work on the Rambert, but her company hasn't been seen here since the 1970s. At that time she was in the vanguard of post-modern minimalism, and the Lyons programme was of some late-

1970s works I was especially keen to see. *Interior Drama* (1977) is in silence. It's for five dancers who walk, step and turn, together or apart in two and three. They maintain this, with remarkable precision, for several minutes at a fast speed. You applaud their sheer drill - but the dance content? Childs' movement is so erect that the dancers seem to move no muscle between neck and hip, and not many above the ankle.

Childs was one of the first choreographers to work with Philip Glass, and some folk have always maintained that she's the only one on his wavelength. *Dance* (1979), three sections of which were shown in Lyons, certainly took me back to the period before Glass seemed tired and pop. Childs can match in dance the way Glass's music may consist wholly of short, incomplete

phrases (between five and ten seconds long), or the way it recycles a few components in near-endless patterns, or its sudden addition of a new element of orchestration.

The triumph of *Dance* is its projection of a Sol LeWitt film of its original cast on a front gaze. So you see today's dancers live through film of the 1970 dancers, who may be giant-size or close-up or life-size. This is always absorbing as mixed-media theatre. The Lyons audience adored it. But how little those dancers move. They can turn and jump - but they're so up on their toes that it's a big deal when they bring their heels to the floor. And who are they? Childs's dancers are cogs in her machine, as like pigs in her pod as she can make them.

Alastair Macaulay

## ARTS GUIDE

## EXHIBITIONS

## London

Royal Academy of Arts, Monet in the 1870s: The Seine Paintings. The long-awaited blockbuster exhibition has opened in London sending reviewers scurrying to explain the artist's decline. Ends Dec 31 (42083165).

Hayward Gallery, Eduardo Chillida. Major retrospective of the Spanish sculptor (25 027).

Paris. *Curie: mules et monuments* sold in museums and metro stations enable visitors to avoid queues of 50 minutes and moments, including the *Louvre*, *Musée d'Orsay* and *Verdille*.

Galerie Maillol-Garçon. Bernard Buffet - La Rue. In his unrelentingly spiky handwriting, the painter beloved by the Japanese, pays homage to Britanny's poets and heretofore. Ends Dec 31 (42083165). Closed Sun, Mon and Tuesdays. Macmillan's Museum. For lovers of impressionism, the Musée Macmillan is a real find. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the *Boulevard de l'Europe*. In the last 30 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted the Japanese bridges and weeping willows and, above all, the *Nymphaeas* - waterlilies on still water. Musée Macmillan, 3 rue Louis-Bully, closed Mon.

Musée des Arts Décoratifs. Pompadour's wallpaper. A wealthy French bourgeoisie of the 18th century felt the need for change in its comfortable but somewhat boring life, a panoramic dance covering the walls of his salon would instantly transport him to an exotic land. There was an endless choice of subjects and locations - Peru with lush palm trees, crusades liberating Jerusalem or the 1920 burlesques in Paris. 107, Rue de Rivoli (42083110), closed Mon, Tue, 10.00pm, except Tuesdays. Ends Dec 31 (42083165).

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broods, the Burghers of Calais. Unlike to their tragic destiny and Balthus defies time. Closed Tue.

## Museum

Neuchâtel, Pierre Gaudin. A collection of 50 oil and watercolour drawings and some sculptures from an important retrospective of the Italian-born artist living at the beginning of the century in the French atmosphere of Montparnasse and Montmartre. In contrast, the artist styled two-dimensional portraits of his friends and of Jeanne Heubert, his last and tragic companion, embody perfect repose. (26 22879).

## Brussels

Musée d'Art et d'Histoire. *L'Impressionnisme et la Peinture en Belgique* is a major exhibition of Belgian painting from the 1880s to the 1920s. While several artists followed the lead of French impressionism and German expressionism, others such as Claus Stolsche, Wouters have a distinct and increasingly valued style of their own. The finest show seen in Brussels for some time. Closed Mondays except December 16.

Musée Royal d'Art et d'Histoire. Inca-Peru an exhibition that traces the evolution and decline of the Inca culture through 450 artefacts. Closed Monday, ends December 31.

Palazzo degli Esposizioni. Norman Rockwell. Oil, watercolours and sketches from the years 1916 to 1973 by a remarkable artist, who for over 40 years designed the front cover for the high-circulation Saturday Evening Post (over 500 copies in the early 1950s), whose name has become synonymous with an ultra-realistic style mixed with nostalgia. Ends November 11.

## Rome

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## Venice

Palazzo Grassi. From Van Gogh to Picasso - from Kandinsky to Pollock. Opening with Picasso's 1931 Woman with Yellow Hair and closing with Fernand Léger's 1950 Builders with Rope, this exhibition provides a truly delightful center through modern art from the late 18th century to the late 1970s. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable "Jugendstil" collection, none of which have been lent to Europe since they were bequeathed to the museum in 1940. Ends Dec 2.

Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes more than 300 works covering 30 centuries.

## Washington

National Gallery. Artistic dividends of the end of the cold war continue to be poured into the eventful show of Suprematist Kasimir Malevich and his Soviet contemporaries with works never before lent by the Soviet Union. Ends Nov 4.

## Chicago

Art Institute. One of Chicago's most noted contemporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-to-day portraits and landscapes.

## Tokyo

Hara Museum. Hara Autumn 10. Since its establishment 10 years ago, this museum has held an annual show of young and emerging Japanese artists - a good opportunity to observe new developments and directions in Japanese art. Opens September 25.

## New York

Brooklyn Museum. From pastoral landscapes to modernist abstraction, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter. Ends Jan 6.

## October 19-25

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## SALEROOM

## Scandinavian disaster, but jewels do well

Sotheby's had a nasty hint in New York on Tuesday of just how deep the recession in the art market might turn out to be this season. Its first major auction of Scandinavian art to be held there was a disaster, with 86 per cent unsold.

There had been hopes of a record price of up to \$5m for a painting of a stormy sea by Strandberg but in the event the total for the whole sale was just \$1.5m (\$777,000). The absence of the trade, and of the hammered speculators in this sector, killed off bidding. Fortunately there is still a market for well rounded mules by Anders Zorn and a 1918 example went on target for \$283,550.

The general sale of 19th century European art fared almost as badly, with 58 per cent unsold. Here again dealers, sitting on unsold stock, were not trying to off-load stale goods. Orientalist works were one of the few bright areas and a portrait of a Bash-Bazouk by Gérôme did well at \$203,442. A Bouguereau nude was at top estimate, making \$152,551.

In dramatic contrast Christie's sale of jewels in New York on the same day was its best ever in the US, totalling \$31m (\$16m), with only 8 per cent unsold. Presumably the very

rich see jewels as a good hedge in hard times. The top price was the record \$5.5m (\$2.82m) paid by a private European buyer for a rare blue diamond, a stone of 15.41 carats set in a ring.

Christie's also did quite well in London yesterday, silver bringing in \$974,050, with 19 per cent unsold, and travel and natural history books, \$570,119 with 12 per cent bought in. A pair of George II three light candelabra made in 1744 by John Le Sage and engraved with the Royal arms (which suggests that they were either a gift from the King or Ambassadorial plate) was bought by the London dealers Koopman and S.J. Phillips for \$198,000, slightly below estimate. A set of four George III two handled soup tureens and covers by Paul Storr beat its forecast at \$41,800.

Among the books a contemporary coloured copy of DeBrett's "Voyage pittoresque et historique au Brésil", with 153 plates, published in the 1830s, almost doubled its forecast at \$50,500. A rare coloured copy of Lawson's "Scotland delineated", with 90 plates by Turner and David Roberts among others, sold for \$52,800.

Antony Thorncroft



## FINANCIAL TIMES

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Power failure  
in high-tech

THE European Community needs to take a hard look at its policies for electronics and information technology. The policies have not only failed in their principal aim of creating a stronger and more competitive European producer industry. They now risk retarding adjustment and distorting priorities in a sector of vital economic importance.

Since the early 1980s, European governments have responded to rising concerns about "technology lag" by launching large-scale collaborative programmes involving European companies and universities. These programmes, most of which receive generous EC or national subsidies, have three main objectives: fostering cross-border links between European national champion companies, speeding up product innovation and safeguarding independent European capacity in core technologies such as microelectronics.

Only the first of these goals has been achieved. EC programmes such as Esprit have encouraged exchanges of technical information between companies and facilitated co-operation on standards. However, there are serious doubts, even among the companies involved, about how much of value they have contributed to innovation. For many companies, the attraction of such schemes appears to have much to do with the cheap finance and privileged access to policy-making which they offer.

## Self-appointed club

More worryingly, EC-sponsored collaboration has acquired some unhealthy characteristics of sectoral intervention schemes pursued unsuccessfully by European governments in the past. It is run largely for - and by - a self-appointed club of large producers in close liaison with European Commission officials. The interests of consumers of electronics products, who account for a far higher proportion of the EC's economic output, have been consistently disregarded.

In the name of safeguarding a "strategic" industry, the Commission has repeatedly granted trade protection for electronic products from chips

to videorecorders. But the resulting higher prices and reduced competition have not been matched by an improvement in the performance of European manufacturers. The EC's electronics trade deficit has widened, much of the industry is barely profitable or in loss and Philippe de Munniching, an inveterate petitioner for trade protection, is in a financial crisis.

## Dwindling share

Propping up uncompetitive European-owned producers is as pointless in electronics as in mature sectors such as steel or shipbuilding. All the more so as these producers account for a dwindling share of European output, because of the rapid expansion of US and Japanese-owned manufacturing capacity in the EC. The goal of European technological independence is rendered still less realistic by European companies' growing reliance on links with overseas competitors and by the takeover of ICL, Britain's largest computer maker, by Fujitsu of Japan.

EC policies based on protecting more of the same are not the answer. A new approach is needed, which recognises that the most effective stimulus to innovation and industrial performance is a vigorous and sophisticated European market. The main emphasis should be on removing obstacles to international competition, particularly in telecommunications, and on vigilant enforcement of competition policy.

The Community may also be able to help by supporting basic research and encouraging the application of electronics across user industries. However, the purpose of such initiatives should be to improve the overall educational and scientific infrastructure and the quality of demand, not to fabricate captive orders for selected European-owned suppliers.

Meanwhile the European Parliament, which is debating the next phase of Esprit, could perform a valuable public service by continuing searching advice to data and considering whether the substantial resources they consume might be put to more productive uses.

The tide of  
UK spending

WITH £250m for child benefit here, £500m for education there, pretty soon you are talking real money, perhaps £10bn of it in extra departmental spending. None the less, the short term picture is not too serious, despite the concessions that the Chancellor will soon reveal in his Autumn Statement. What is decidedly gloomy is the medium term prospect. The golden combination of increases in real public expenditure with tax cuts and a declining share of public expenditure in gross national domestic product has vanished, not just for a year, but for many years ahead.

The expected increase in public spending this year is largely the result of inflation, most notably the uprating of benefits by the rise in retail prices in the year to September. Inflation lies behind increased claims for health and education as well. It does not lie behind the roughly £2bn cost of sweetening the poll tax bill, however, but this was also caused by the government's mistakes. There will be little political gain from all this increased spending, therefore. It is more a matter of limiting the damage.

The Chancellor warned of the gloomier prospect in his Mansion House speech last week. "An economic slowdown inevitably brings renewed pressures on public expenditure, which may no longer fall as a proportion of GDP," he remarked. The large fiscal budget surpluses would diminish, though the medium-term objective of a balanced budget would not be changed.

## Short term deterioration

Yet the damage to the government's cherished targets for public spending as a share of GDP should not be exaggerated. The target for 1991-92 in last year's Autumn Statement was 38% per cent (excluding privatisation receipts). There is a good chance of its staying below 40 per cent, and so below the level of only three years ago, largely because inflation is increasing money GDP along with public spending.

What is now in prospect is a short term deterioration in both the government's fiscal position and its control over public spending. This trend is

strongly suggested by experience in the present financial year. The public sector borrowing requirement, excluding privatisation receipts, was £7bn in the first half of the financial year, up from £2.5bn in the same period of 1989-90. If this deterioration is carried forward, the planned public sector debt repayment of £7bn may well turn into a small borrowing requirement.

## Increasing outlays

More significant, it might appear, is the fact that central government outlays in the first six months of 1990-91 were running 22 per cent above the level in the corresponding period of 1989-90. The Treasury asserts, however, that this increase in outlays is only 13 per cent, allowing for special factors. This is well above the rate of inflation, either headline or underlying, but it is at least below the first six months' increase in receipts.

The present and immediately prospective fiscal deterioration, while real, is not that serious, particularly because of increased starting position. None the less, it probably means that in the next budget tax cuts would have to be paid for by increased borrowing, something with which Mr Major - not to mention the foreign exchange markets - is likely to be very uncomfortable.

A small cyclical deterioration is one thing, a trend deterioration is quite another. Yet the prospect for the UK is several years of low growth, along with low profits. Meanwhile, pressures are building up for a catch up in public sector pay and for increased spending on public services. In this environment, significantly higher real spending would mean either tax increases or progressively larger budget deficits, the latter being almost certainly inconsistent with maintenance of the parity within the ERM.

When an economy is good it is very, very good, but when it is bad it is dreadful. The government may be able to cope with the deterioration in the public sector position this year and the next. Its successor - quite particularly a Labour successor - is likely to find a year after year of austerity quite another matter.

A study by the European Commission of the effects of European Economic and Monetary Union, concluding that the benefits exceed the costs, will be greeted with suspicion. Did anyone expect another conclusion? But do read on.

For there would be no harm in economists admitting that the main motivation for ERM is as a step towards European political unity, and concentrating on devising institutions which will minimise costs and maximise benefits.

The two obvious economic gains from ending currency fluctuations are the elimination of transactions and uncertainty costs. A third benefit for inflation-prone countries would arise if the monetary union were run with a commitment to price stability approaching that of the Bundesbank.

The Commission manages to expand these benefits into a "check list" of 16. But quantification is only possible for two or three of them. The elimination of transactions costs would save 1/4 per cent of GDP. ERM would also eliminate exchange rate variability, which averaged 0.7 per cent a month even for countries in the Exchange Rate Mechanism, and 1.9 per cent for countries outside it.

Exchange rate uncertainty prevents many businesses from treating Europe as a series of overlapping markets as they do the US, and encourages the practice of local "sourcing". The Commission estimates that a reduction of as little as 1/4 per cent in the exchange rate risk premium (contained in the minimum required rate of return on business investment) would eventually raise the level (not the growth rate) of Community GDP by 5 per cent.

The authors are admirably frank about the intangible and unquantifiable nature of many of the other benefits. These may arise from the interaction of the 1992 Single Market programme with the abolition of exchange rate risks. Or they may arise from the intangible benefit of price stability.

The crucial assumption is that the planned European Central Bank will have the same credible commitment to price stability as the Bundesbank, which is now the anchor of the European Monetary System. If it did, the transitional costs of achieving price stability would be reduced, as employers and unions would know that there was no way of inflating or devaluing

STAGES OF EMU			
	1992	1993	1994
Monetary union			
Convertibility	X	X	X
Free capital movements	X	X	X
Irrevocable parities or single currency	-	-	X
All states belong	-	X	X
Economic union			
Single market	X	X	X
Competition policy	P	P	E
Regional policies	P	P	E
Policy co-ordination	-	P	E

X = achieved, P = partially, E = envisaged  
Source: Commission of European Communities

## out of problems.

The Bank will certainly not have this credibility if Neil Kinnock has his way and it is committed to regional policies and "growth", while being completely subordinate to governments. Fortunately, the Labour party's version of ERM is not on offer, as Germany would refuse to join it.

The main cost of ERM is the abandonment of independent national monetary and exchange rate policies. The Commission report follows some of the authors in writing that this cost arises from shocks, which are not of monetary origin and which are specific to individual states. An example would be an oil discovery. The

ECONOMIC VIEWPOINT  
Why ERM needs  
monetary union

By Samuel Brittan



authors try to argue that most such shocks are in practice man-made and could diminish in the setting of full Economic and Monetary Union. It does not just write off monetary autonomy, as I might, as the freedom to debase one's currency.

Indeed, the main criticism of the report is not that it is partisan, but that its authors seem more afraid of the international economics industry than of Jacques Delors. Instead of just putting forward the best case for ERM, they try to mention every possible type of economic theory and every economic investigation, remotely relevant. They are consequently inconclusive on some of the main issues, such as whether the balance of payments will continue to matter or how far fiscal policy will be useful. The result is frankly indigestible and will be read by almost no one from cover to cover - even though many of us will be extremely grateful for it as a wide-ranging work of reference.

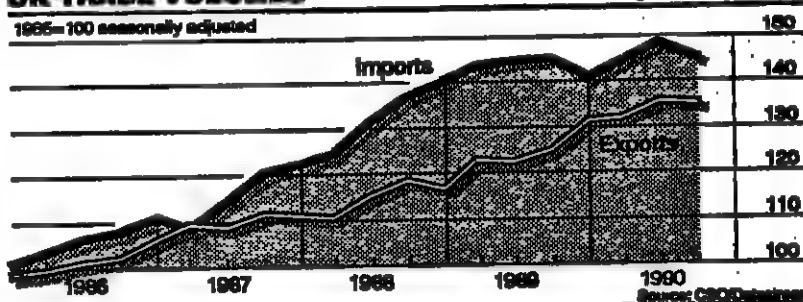
One problem the authors faced was: with what to compare ERM? They settled for "1993 plus EMS", which is also known as Stage One of the Delors Plan. But many Stage One goals have still to be achieved, including credible UK membership at the normal 2 1/2 per cent margin. This is often hard to say whether a particular benefit - or cost - should be attributed to the stage or to ERM itself.

By far the best section is chapter two on the economics of ERM. This suggests to me that the difference between "1993 plus EMS" and a single currency is a matter of degree. Take the transaction savings from a single currency. It would surely be possible to simplify bank transfers without a single currency, especially if exchange rates were permanently fixed. There is no reason why one banker's card should, for instance, not be usable throughout the Community

or why Eurocheques should not be assimilated to the domestic variety (I say with feeling). On the other hand there are plenty of inconveniences in the UK, which has one currency but a fragmented banking system. A voluntary commitment to anchor one's currency to the Mark, such as Austria's and now Norway's, is useful. A commitment to a full or hard

ERM, in which realignments are small and infrequent, is even more so. But without the ERM goal the credibility of the full ERM commitment will also weaken. I make no secret that I was initially more attracted to the ERM than to ERM. The logic of the ERM, as the Commission report explains, is that overall monetary policy is determined

## UK TRADE VOLUMES



## Teenager's guide to trade

THE trade gap is no longer the flavour of the month. The erratic shrinkage in September to "the lowest level in three years" should, however, be forgotten. There will be equally erratic deteriorations in future months. More important is the underlying shrinkage. Import volumes have clearly stopped growing. Export volume increased by 9 per cent in the first three-quarters of 1990, compared with the same period a year ago. They fell slightly in the third quarter, but it is far too early to attribute this to the effects of a strong pound. Newly revised IMF labour costs suggest that UK competitiveness is much the same as in 1989

and some 20 to 30 per cent better than at the peak of sterling's rise in 1980-81. The falling dollar is the biggest currency problem. The very large rise in the current deficit was mainly due, however, to "excess" domestic demand. The recent fall reflects recession. What will happen if and when domestic demand growth recovers to a normal but not excessive rate? The gloom merchants overlook the continuing recovery in the UK share of world trade in 1989-90. The most likely trend is for a continuing deficit, falling as a proportion of GDP, which can be readily financed so long as confidence in sterling is maintained.

Worms in  
the garden

■ The top executives of Compagnie Financière de Suez used to be known as the Four Musketeers. Now, after the illness and death last week of Renaud de la Genière, the description will have to be reworked.

Gérard Worms, who replaces de la Genière as chairman of the FF600m (£5.66m) portfolio of banking, insurance and industrial companies which make up Suez, clearly does not see himself as d'Artagnan. He toys with describing himself as a lighthouse keeper who does not actually make things run but watches vigilantly over the machinery but he finally settles for being a gardener.

"You have to pull out the weeds, clear around the plants which need more space, and transplant them to your neighbour's garden if they will do better there," he said yesterday in his first public appearance. Worms, aged 54, has usually been judged to be more bookish and scientific than horticultural. He no longer teaches economics at the exclusive Ecole Polytechnique engineering school. But he chairs, with enthusiasm, the French association for technical research.

He may not be able to sheath his musketeer's sword, however. Several of his major shareholders have demonstrated during the succession battle of the last few weeks that they are more concerned about their particular associations with one or other Suez subsidiary than in the interests of the group as a whole.

Worms will have to fight off the demands of Carlo de Benedetti, who thinks of little else but selling his remaining stake in Société Générale de Belgique; of Philippe Jaffré, of the Crédit Agricole, who has his eyes on one of Suez's banking subsidiaries; and above all of Jean Peyrelevade, of Union des Assurances de Paris, who wants to make

## OBSERVER

something more of the FF600m he has inherited in Victoria, Suez's insurance offshoot. If diplomatic refusals are not possible Suez may have to fight for its independence.

## Job for Jeeves

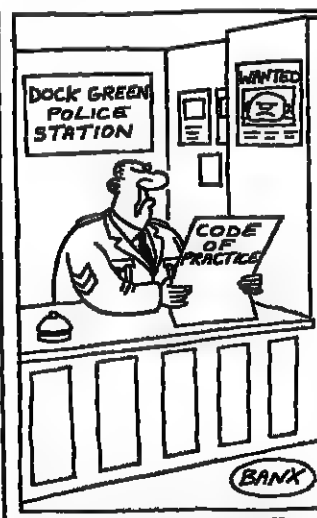
■ If you keep hearing voices do not call your psychiatrist, try an electrician instead. It could be that your problems can be solved by a Butler. This is a small machine, about the size of a big book, which is about to be brought in from the US and launched upon an unsuspecting British market by Master Command.

Your Butler will be able to control all electric and electronic devices in your house or office by recognising your voice, and other authorised voices. It can be used by up to four people, whose voices it will recognise individually. All that for a trifling £2,000 starting price. "So smart is Butler," they tell me, "that if you ask it to get your mother - not your wife's mother."

Nonetheless, when I called it took the promoters ten minutes to connect me to someone who could talk about it. Doubtless they had given their Butler the day off.

## In good voice

■ Winston Churchill, an old boy of Harrow school, felt the boys' Songs were among the greatest treasures of the school, being passed down from one generation to another. Since he visited Harrow as prime minister in 1940 to hear them sung they have become known as the Churchill Songs.



expected at the Albert Hall, London, for the 50th anniversary sing-song. Roger Boissier, deputy chairman of the school governors and the man in charge of the event, is estimating this year's audience at more than 4,300. Boissier has double reason to be cheerful this week. He is chairman of Pressac Holdings which has announced a 19 per cent increase in pre-tax profits to £2.67m.

## Loose bricks

■ A learned and apparently serious, symposium of German psychologists and psychotherapists has come to the disturbing conclusion that most Germans have suffered some mental anguish during the long division of their country. And the dismantling of the wall is making matters worse by shaking loose many well-entrenched ideas. Professor Eva Jaeggi, from the Technical University of Berlin, and others, claim that the wall functioned as a sort of psychic screen for Germans on both sides to project their

fear and anger. The absence of the wall is thus playing havoc with the collective psyche. It is also unleashing waves of resentment from the eastern side of divided families who supposedly felt "controlled" by their western relatives.

Hans-Joachim Maaß, an east German psychotherapist from Halle, claims that Stalinski produced a collective mental disturbance, and that all citizens of the former East Germany need a long time to recover. But, not to be outdone, Thomas Krauss, of the Institute for Social Medicine at West Berlin's Free University, has referred to scientific research which allegedly proves that half of all west Germans have problems of their own.

"The wall," he concludes, "was a great help for many psychological mechanisms. That is why current identity crises are so serious."

## Baghdad school

■ Saddam Hussein's European "guests" are acting true to their different national types. The Italians left in Iraq are keeping their spirits up by cooking each other their favourite pasta dishes. The British are playing Patience and dreaming of home around hotel swimming pools.

But, according to Sweden's Ministry of Foreign Affairs, the earnest Swedes seem to be making a virtue of their position as hostages. They have organised themselves into study circles and are busy learning the Arabic language and how to appreciate Arabic culture.

## Martial music

■ The Japanese have now promised 40,000 Sony Walkmans for the Gulf forces. Should the trumpet sound the charge will it ever be heard?

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A quiet but revealing change is taking place among the discreet networks of highly-educated civil servants and businessmen who run the French economy.

A largely male elite, dominated by Parisians with a background in public administration, is becoming more open and attuned to entrepreneurial virtues, as the state loses some of its considerable grip on the business world. It provides a rare insight into how the establishment is yielding to the influence of free market thinking and the internationalisation of business. The effect has been to make the French business sector more flexible, at the expense of some traditional social and intellectual values.

There was a time when senior civil servants could guarantee they would take the place of honour at the right of the hostess at dinner. Now they will have to compete against someone like Mr Bernard Tapie, a typical example of the new generation of the French elite.

Mr de Rosen began a brilliant public service career in the fast stream at the Treasury, moving on to become a diplomat in Washington, before becoming chief adviser to a former French industry minister. He then hopped back into business and is now running the FF18bn turnover fibres division of Rhône-Poulenc, the state-owned chemicals giant, at the age of only 38.

The difference is that he started all this by first going to business school to train as a manager, a move seen only recently as an eccentric move for an aspiring star. "Some members of my family thought I was sick," he says.

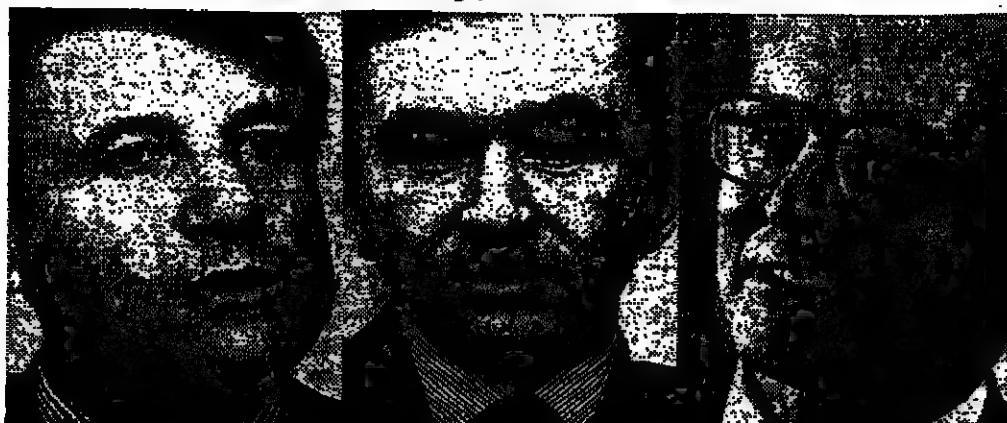
It used to be that the cream of France's intelligentsia followed careers in the civil service, capped by a top job in state-owned industry in their 40s or 50s. But now they are more likely to depart in their 30s or even straight after graduation at one of the prestigious public administration colleges through which every self-respecting high flyer must pass.

Moreover, they are just as likely to go to the private sector as into state industry. Business schools all over France are reporting a huge increase in attendances. Groups as diverse as Bouygues in construction, Renault in cars and Fiat in accountancy now boast young civil service stars in their senior ranks.

"I am pretty certain that out of all my private staff, only one will be left in public administration in five years," says Mr Roger Fauroux, industry minister and another classic product of the establishment. "It's not

## Quiet revolt in the corridors of power

The civil service is losing out as more of France's elite turn to industry, writes William Dawkins



The new elite: Alain Gomez, Bernard Arnault and Roger Fauroux

only a question of salary, for they have always been able to get more in the private sector. It is that nowadays there is more prestige working for a company. It is a reflection of our growing economic liberalism... business is chic."

The traditional networks are based on contacts built at one of the better known of the more than 300 grandes écoles, state-sponsored colleges which prepare university graduates for professional life, usually in the civil service. Ecole Nationale d'Administration (Ena), one of the most respected of them - including among its 4,000 or so alumni three prime ministers and most of France's brightest industry chiefs - is uneasy at the number of its alumni who leave for private sector jobs early in their civil service careers. "A young person doesn't feel he is betraying the public interest by going into the private sector," he might have done a few years ago," mourns Mr René Lenoir, director of Ena.

Founded after the Second World War to groom bright youngsters to rebuild a shattered public administration, Ena takes less than 100 graduates per year, for which it usually receives at least 10 times as many applications.

Ena graduates - must promise to work in the civil service for at least 10 years. If they leave early, as an increasing number do, they are fined. Few pay the penalty and

the chances are that their prospective employers are only too happy to pay.

Mr Lenoir is pressing for an end to the current system under which Ena graduates are guaranteed their former public service jobs should they wish to return. "I am all for the free circulation of our elite, but I am against letting them go without risk," he says.

The top Ena graduates feed into one of the top "grandes écoles" of public administration - the elite professional training colleges. The most highly regarded of these is the Inspectorate of Finances, the fast track to the summit in the treasury, open to only a handful of pupils each year. This qualification - held by Mr de Rosen - identifies the holder as one of the couple of dozen or so brightest people of his generation.

An even more venerable but larger taking-off point for high flyers is the Ecole Polytechnique, a science college used by Napoleon to train engineers for his army. Most people call it X, pronounced seks. There are around 350 X graduates a year, the top handful of which move on to one of the top four industrial corps. Depending on the corps they choose, alumni might identify themselves as X-Ponts or X-Mines - jargon essential to understanding the flight path of a French business star.

Enaques and Polytechniciens are often hunted by com-

panies just as much for the content of their address books as for their formidable brains. For they have the unspoken right to contact almost any fellow alumnus, though this is used with discretion.

As a mark of how the public administration's senior men dominate business, only two of France's top 25 companies have been run consistently by career managers over the past 20 years, according to a recent survey carried out for the financial newspaper Les Echos. In some cases specific jobs are even reserved for certain corps, a far more structured old boy network than its Oxbridge counterpart in the UK, or Harvard and Yale in the US.

The top people at Electricité de France, the state power utility, and at Sella, the state tobacco group, for example, have traditionally come from the Ecole Polytechnique. The chairmanship of Elf Aquitaine, the state-controlled oil group was reserved for X-Mines until recently, when the government raised eyebrows by appointing a graduate of the Grenoble National Polytechnic Institute, Mr Louis Le Pacha-Frémont - though this socialist does have a public service background as a former chief adviser at the ministry of industry.

These networks would not operate so efficiently without the existence of several string-pulling godfathers figures, like Mr Roger Martin (X-Mines), a former chairman of Saint-Gob-

ain, the privatised glass and packaging group. During his long period in the Saint-Gobain throne, he hired a brilliant youngster every three or four years, to be groomed for a top job in state-owned industry.

The best known Martin protégés include Mr Fauroux himself (another former chairman of Saint-Gobain), Mr Alain Gomez, the head of the Thomson state-controlled defence and consumer electronic group, Mr Francis Mer, head of the Usinor Sauter state-owned steelmaker, and Mr Jean-Louis Baffa, current head of Saint-Gobain.

Mr Ambroise Roux is another industrial godfather to be reckoned with. As head of the powerful, but almost invisible, Association Française des Entreprises Privées, he is credited with exercising a discreet steering influence on the growth of economic liberalism in the socialist government.

Mr Roux's star is on the wane since his recent retirement from the chairmanship of Générale Occidentale, the publishing group. His protégés include Mr Pierre Suard (like Roux, an X-Ponts), chairman of CGE, the telecommunications and engineering group and Mr Alain Minc - a former Saint-Gobain finance director - who now runs Cerna, Mr Carlo De Benedetti's French holding group.

In the financial world, probably the most distinguished godfather is Mr Antoine Bernheim, senior partner of Lazard Frères, the investment bank. Bernheim is one of France's best-known new entrepreneurs depend on Lazard's discerning support, like Bernard Arnault, the former Polytechnique student who last spring won a bitterly-contested battle for control of LVMH, the champagne-to-handbags luxury products group, or like Vincent Bolloré, the brilliant young founder of the industrial group which bears his name.

Just how far the change has gone is open to debate. The French establishment is still seen by some people as too rigid, still too much in the grip of the grands corps.

"This so-called French elite creates a bottleneck," says Rhône-Poulenc's Mr de Rosen. "Of course it's a good thing that we all understand each other very clearly, but the problem is that we don't have enough self-made men. I am sure there are thousands of people with talent who don't get near the top because they didn't have the opportunity to come through the top educational and social system." Even so, he and others agree that the road to the top in France is becoming just a little more open.

## BOOK REVIEW

### The grand illusionist and great survivor

BEHIND THE MYTH: Yassir Arafat and the Palestinian Revolution  
By Andrew Gowers and Tony Walker  
VH Allen, £14.99

Yassir Arafat became chairman of the PLO in 1969 and with dogged perseverance he has succeeded in keeping the PLO show on the road ever since in the face of overwhelming odds and a series of stunning reversals that included expulsion from Jordan, evacuation from Lebanon, a Syrian-instigated mutiny and an Israeli bombing of his headquarters in Tunis. But although he has been in the limelight for more than 20 years and although he talks a great deal about himself, he remains an enigmatic and controversial figure - volatile, theatrical and maddeningly difficult to pin down.

Arafat's life and career have been shrouded in mystery, much of it of his own making. The title of this book is therefore particularly apt, for it is an attempt to get behind the myths that have been assiduously cultivated around the man and the movement he leads. This is not an exhaustive study of the PLO and Palestinian nationalism; nor is it a biography, in the strict sense. What it does offer is a highly readable and illuminating account, enriched by interviews with many of the leading personalities involved, of Yassir Arafat's role in the making of what Palestinians call their "revolution".

While pursuing the struggle for the liberation of Palestine, Arafat has also had to fend off attempts by various Arab rulers to appropriate the Palestinian cause. The PLO remains a microcosm of inter-Arab politics with different Arab regimes supporting different groups within the organisation. The authors trace with considerable skill and insight Arafat's relations with his Egyptian sponsors, his Saudi paymasters, his stormy "partnership" with King Hussein of Jordan which ended in divorce, and his deadly enmity with President Assad of Syria.

One conclusion that may be drawn is that the policy of armed struggle rendered the PLO almost totally dependent on the goodwill and material support of the confrontation states, whereas the adoption of a realistic political strategy has enabled it to assert more effectively its own autonomy. Arafat's singular achievement in this respect has been to steer

needed was a political initiative to match the practical sacrifices on the ground. Arafat and his colleagues were quick to cash in on the publicity, but failed to translate it into a lasting political achievement.

Much of the international sympathy generated by the intifada for the Palestinian cause was dissipated by Arafat's refusal to side with most of the rest of the world against Saddam Hussein, after the Iraqi invasion of Kuwait. Arafat responded to the Gulf crisis in the way he had always responded to crises: he equivocated while seeking sporadically to mediate. In the process, he bitterly antagonised his Arab supporters, dented further his credibility in the west and appeared to vindicate the Israeli refusal to have any truck with the PLO. Admittedly, the support of the Palestinian rank and file went to the Iraqi tyrant, but the task of a leader is not to follow the masses; nor can there be any doubt that the interests of the Palestinian movement would have been better served by a principled stand against the acquisition of territory by force.

Despite this latest blunder, Arafat remains indispensable as the only man capable of holding the Palestinian factions together, of rebuilding the PLO's prestige, and of keeping it in the mainstream of regional and international politics. And despite the lack of any tangible progress towards a Palestinian state, there remains the symbol of the Palestinian revolution: an imperfect symbol, but the only symbol they have.

Andrew Gowers and Tony Walker are frequently and frankly critical of their subject but not basically hostile. Their book is written with a genuine feel for the complexities of Palestinian politics and with a keen sense of drama. There is a great deal of new material here which not only brings events to life but leads to a better-informed understanding of one of the great survivors in the turbulent game of Middle East politics. The reviewer is a fellow of St Antony's College, Oxford, and author of *The Politics of Partition* (OUP).

Avi Shlaim

## LETTERS

### Time for government's economic advisers to go

From Mr Frank Blackaby

Sir, The time has come for the intellectual rehabilitation of those few economists who have argued, all along, that this government's anti-inflationary policy was not marginally "integrated," but wholly wrong.

This policy is now well into its second year. After more than two years, the rate of inflation is much higher than it was when the policy began. That is not some minor deviation from a target figure. It is a total failure. Because of this failure, the eventual cost in unemployment of bringing the rate of inflation down will be distressingly high.

The policy has been a failure because it was based on a bad analysis of the workings of the British economy. We do not live in some fantasy economy where there is no wage bar-

gaining and no wage round. They exist. There is a great deal of *de jure* and *de facto* indexation, and strong resistance to reductions in real wages. It is foolish, in an anti-inflationary policy, to use instruments which push the retail price index up. This is not the only disadvantage of a sole reliance on interest rates. Their effect is uncertain and the impact on different categories of demand is undesirable. The government is now trying to talk the wage round down, using the threat of unemployment. Of all the various forms of incomes policy tried in the past, this is the one which has proved to be the most ineffectual.

It is time for the government's economic advisers to resign. Frank Blackaby, 9 Penton Road, SW9

### Doubts about Treasury forecasts

From Mr Alan Tiffin

Sir, No one can deny that Britain's entry to the exchange rate mechanism (ERM) effectively rules out passing on, through devaluation, costs which are relatively higher than the European Community average. ("Setting pay in the ERM," October 15).

This has obvious implications for pay which indeed was pointed out in *A New Agenda: Bargaining for Prosperity* in the 1980s, which I co-authored with John Edmunds, general secretary of the GMB. Nevertheless, one cannot help but view with some scepticism the chorus of comment telling union wage negotiators to look at prospective inflation rates.

With inflation at or near the point of a steadily rising trend since 1983, is it really a coincidence that we are only being urged to look forward now that the retail price index is expected to fall? Business rates and

Poll Tax have risen 34 per cent and mortgage interest by 32 per cent. Oil and other fuels have increased by 43 per cent.

While I agree that the government, employers and unions should come together and look ahead, how can our members - many of them low paid - be expected to rely on Treasury forecasts of inflation at 5 per cent or 6 per cent by the end of 1991, and accept increases of that order, when the real value of their pay has fallen by almost 11 per cent in a year. This is at a time when directors' pay on average has risen by more than 15 per cent. No doubt many of them can afford a pay cut but not those on weekly take-home pay of about £150 or less.

Alan Tiffin, general secretary, Union of Communication Workers, 100 Waverley, Crescent Lane, SW4

### International misunderstanding

From Ms Lesia Djakowska

Sir, The Ukrainian students celebrating the victory ("Ukrainians not willing to wait any longer," October 20) are giving the sign of the trident - the three-pronged trident symbol of Ukraine - not the two-pronged V for victory as stated

in the caption to the picture accompanying the article.

A case of misinterpretation of international gestures and might out of 10 for arithmetic Lesia Djakowska, Association of Ukrainian Women, 49 Linden Gardens, W2

### EC mergers: why the prudent will deal with 'both shops'

From Sir Gordon Davis

Sir, I agree with Sir Leon Brittan ("Misplaced doubts on EC mergers," October 11) that some newspaper reports on the respective roles of the European Commission and the British competition authorities have been based on misunderstandings of the Community merger regulation. Some reports have also misreported my own remarks on the subject in recent speeches.

I have long argued that there is a sound case for control at a Community level of transnational mergers and mergers having significant effects in a number of member states. It is then important that there should be clarity on which mergers will fall to the European Commission for assessment and which to the national authorities. The regulation spells out the ground rules on this - rules designed to achieve a "one-stop shop" for merger control.

In comments on the regulation, I have given a number of reasons why a one-stop shop is unlikely to be attainable in every case. Sir Leon mentions two of these: the provisions in the regulation which, in defined circumstances, allow a merger covered by the regulation to be considered by the national authority. These are where a merger creates a competition problem in a distinct market in a national territory (Article 8) and where a country's legitimate national interests are at stake (Article 21). But there is another reason - uncertainty whether a merger does fall within the regulation.

There are a number of reasons why there can be doubt, including the application of the turnover thresholds and the definition of merger (or "concentration" in Community terminology). The latter point is illustrated by the very first case notified to Brussels - a share exchange between Renault and Volvo. My point has been that, where there is any doubt, companies may be wise to notify both Brussels and the Office of Fair Trading. There are substantial penalties for failing to notify Brussels of mergers within the jurisdiction of the European Commission. But, if the merger might fall within the jurisdiction of the Office of Fair Trading, my office should be informed at the same time to avoid unnecessary delay if the merger should, for

any reason, be properly one for the British authorities.

Delay in dealing with a merger can be as serious to companies as financial penalties. That is why I have said that dual examination of some British mergers which seem to fall within the regulation is likely to continue.

It is nonsense to say, as has been reported, that I shall insist that any mergers which fall within the scope of the regulation must get "domestic clearance first." Mergers which fall within the scope of the regulation will, normally, be decided upon by the Commission (I have to say "normally" because of the provisions of Articles 9 and 21) by reference to the criteria in the regulation. I have, incidentally, welcomed the fact that those criteria require the Commission to consider the effect of a merger on competition and on competition only, and defer the Commission from authorising an anti-competitive merger on broad grounds of industrial, regional or social policy.

But, although the decision whether or not a merger is compatible with the Common Market lies with the Commission, the decision is to be reached, as Sir Leon points out, by way of "constant consultation with the national authorities." My staff will have to look at all mergers covered by the regulation if this advisory function is to be properly carried out. Some commentators have confused this advisory role of the member states with the role of deciding whether or not a merger within the scope of the regulation should be prohibited.

The Community merger regulation has been in operation since September 21. It is a major development in Community competition policy. Inevitably, there will be varying views about it, particularly at this early juncture. My own views are not greatly at odds with those of Sir Leon in his article. Certainly, I have in no way challenged the principle of the one-stop shop. But I do think that companies will still find it prudent to deal with both authorities - both shops - at least in the early stages of the procedures.

Gordon Davis, director general of fair trading, Field House, 15-25 Broad's Buildings, EC4

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### INSIDE

#### Profits fall by 24% at SKF

Third-quarter profits at SKF, the world's leading rolling bearings manufacturer, have fallen 24 per cent after financial items to SK435m (\$77.4m) ending a two-year period of profit improvement. The Swedish group's managing director, Mauritz Sahlin, blamed the decline on falling demand for SKF products from industrial customers, made worse by "the tense situation in the Middle East". Mr Sahlin said profits for 1990 as a whole would be less than the SK2.46bn achieved last year. Page 21

#### Eurotunnel revival



Eurotunnel has come back from the dead. Today, more than 200 international banks are due to sign a new £2.1bn (\$4.09bn) loan package, which must be completed before a £530m rights issue can go ahead next month. The cash is needed to finish the scheme, which has risen in cost from an initial estimate of £4.8bn in 1987, to £7.7bn - an increase of 60 per cent. Andrew Hill and Andrew Taylor report. Page 20

#### Anglo United sells stake in NSM

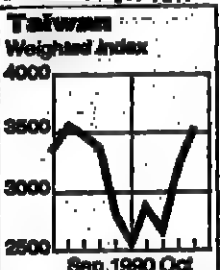


Anglo United, the UK fuel distributor and mining company, which last year borrowed £440m (\$858m) to buy the much larger Anglo group, has sold its stake in NSM, the mining and building materials group to help reduce its debt. Anglo, headed by David McErlain (left), must repay £175m to its banks by the end of the year. Yesterday's placing of its 20.62 per cent stake in NSM raised £32m. Page 24

#### Suez to tighten its belt

Ten days after taking office, Gerard Worms, the new chairman of Compagnie de Suez, yesterday outlined his strategy for the French financial conglomerate. Suez would have to tighten the management of certain subsidiaries and would probably dispose of some assets, he warned. He added that Suez would remain the majority shareholder in Vieoche, the French insurance company, and La Générale, the Belgian industrial holding company. Mr Worms announced a 42 per cent rise in group net profits to FF2.7bn (\$631m) at the halfway stage. Page 21

#### Taiwan prepares to open up



Taiwan's lethally volatile bourse may be opened to qualified foreign institutions by the end of the year. But at a time when the market is well below its February peak, a headlong rush from abroad seems unlikely. Among those suspicious of the Japanese government's motives is the head of one financial services consultancy in Taipei. "Foreign institutions are in business to make money, not to bail out the market," he says. Back Page

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#### Chief price changes yesterday

FRANCE (1989)		UK (1989)	
Al Ind & Veto	850 + 30	Privatization	535 + 35
Colson Verich	1252 + 72	Union Int'l Fr	560 + 18
Lafayette	1954 + 40	Public	
Laifort	715 + 40	Public	
Public		Public	
Industrielle	281.5 - 13.5	Public	
Yokohama	385 - 13.5	Public	
NEW YORK (8)		TOKYO (Year)	
Alcoa	71.5 + 1.5	Auto Corp	940 + 61
Chrysler Auto	98.5 + 1.5	Whitcomb Corp	1370 + 180
Public		Sato Ryoko	1800 + 80
Amstar-Bush	35 - 5	Public	
Chrysler	11.5 - 1.5	Public	
Cont. Airlines	4 - 1.5	Honolulu Paper	2160 - 310
Public		Sony Elec	720 - 14
Public		Sanitron Int'l	403 - 12
Dallas Mfg	375 + 11		
LONDON (1989)		UK (1989)	
Countrywide	81 + 8	Brit. Airways	147 - 7
De La Rue	270 + 8	Chad Op.	47 - 7
Southland (L)	480 + 5	Easton Hse.	31 - 12
LAUO	439.5 + 0.5	Easton Hse.	25 - 5
Midland	201 + 11	Ivey & Sme	58 - 7
New Int'l	105 + 5	Lloyds	272 - 7
Parsons	635 + 13	Merit & Spencer	222 - 10
Shale	254 + 7	P & O Intl	503 - 10
Thomson	135 + 10	Truist Hse.	190 - 13
Tibco Corp	495 + 22		
Public			
Argos	243 - 8		

## United takes the house by storm with transatlantic encore

Paul Abrahams and Nikki Tait look at the US carrier's latest deal

MR STEPHEN Wolf, the chairman of United Airlines, has been a busy man since he was given instructions a fortnight ago at a board meeting of UAL, the airline's parent, to implement a new strategy. Since that meeting, Mr Wolf has placed the largest order for new aircraft in aviation history, launched Boeing's latest generation 777 aircraft, and made peace with the company's largest shareholder, Coniston Partners, which previously wanted to break up the airline.

As an encore, on Tuesday Mr Wolf shook the world civil aviation industry by negotiating the acquisition of Pan Am's most valuable routes between the US and London, together with a couple of 747-300s, for the tidy sum of \$400m.

The deal, which gives United all of Pan Am's facilities at San Francisco International Airport, Washington Dulles International Airport and London Heathrow, allows United access to the highly lucrative US-London routes. However, it also undermines United's marketing agreement with British Airways.

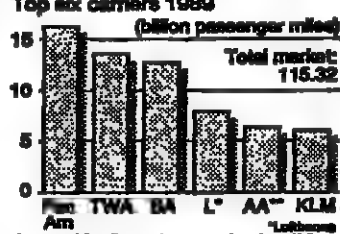
For United, the deal with Pan Am has considerable logic, although some US analysts view the \$400m price tag as generous. It significantly enlarges the carrier's presence in Europe - and London, in particular - in one step, and avoids the piecemeal build-up of routes some of its competitors are attempting. The number of United's non-stop flights to Europe triple with this deal, while its US gateways serving European destinations increase from two to six.

Admittedly, the transaction is still subject to regulatory approval from the US Department of Transportation and the Department of Justice. As far as the former is concerned, the issues are largely those of competition, bilateral agreements with the UK, and general public benefit. The authorities, already considering the purchase by United's deadliest rival, American Airlines, of TWA's Chicago-London route, declined to specify any deadline for its decision.

#### North Atlantic routes



Top six carriers 1989



From one passenger to 25.5m in 63 years: Charles Lindbergh, the first to fly across the Atlantic, with the Spirit of St Louis

American Airlines said yesterday it would be raising serious concerns about the deal. However, most observers expect the deal will get through. The most persuasive argument, it is suggested, is the potential implications for Pan Am if it does not get through. "The authorities just have to face up to the fact," said one analyst bluntly.

United's strategy is also based upon the assumption that the airline will be given permission by the UK Department of Transport to use Pan Am's facilities at Heathrow airport. However, the licences acquired by United stipulate London, rather than any particular airport.

Existing UK rules prevent any new scheduled carriers operating out of Heathrow. However, United does not have any operations there at the moment, and, if the rules are strictly applied, the airline should be forced to operate out of the less fashionable airport at Gatwick. Such a decision was forced on American Airlines when it acquired TWA's Chicago-London route.

Mr Cecil Parkinson, the UK secretary of state for transport, is



From one passenger to 25.5m in 63 years: Charles Lindbergh, the first to fly across the Atlantic, with the Spirit of St Louis

faced with a tricky dilemma. United argues that bi-lateral agreements between the UK and US allow for Pan Am to be replaced by another US carrier. It explains that Pan Am is pulling out of Heathrow and the status quo is not being altered.

However, if Mr Parkinson gives United permission to use Heathrow, he will face angry protests from airlines such as Cathay Pacific and American Airlines which have been prevented from using the airport under UK rules. If he refuses permission, United is told that it must operate out of Gatwick, the deal could unravel.

For British Airways' chairman, Lord King, the deal is a double blow. United has far better aircraft, marketing skills and computer systems than Pan Am and will provide the UK carrier with far more competition on the north Atlantic routes.

According to Mr Tim Coombs, an analyst at Conny Netwest, about 85 per cent of BA's operating surplus last year was provided by the airline's Atlantic operations. Last night, Mr David Colman,

vice-president of United's Atlantic division, said that the airline would compete vigorously from the five gateways that the airlines share.

Lord King will also be upset by the effect the deal will have on his company's marketing arrangement - signed in 1987 - with United. The arrangement provides BA with access to the US carrier's domestic network.

During the marketing agreement's first two years, transfers between the two airlines increased by 30 per cent more than the overall growth in passenger numbers.

Mr Andy Chambers, an analyst at the Nomura Research Institute, says that BA may well be forced to make a significant change in its strategy following the United deal. BA's share price yesterday fell 7p to 147p in London.

For Pan Am, the move reflects further retrenchment, at the very least. On the one hand, the move is a financial necessity. The company is heading for the difficult fourth quarter/first quarter period and before the full impact of higher fuel prices was known, at least one leading analyst was

predicting that the carrier would need to generate at least \$100m in asset sales to survive the winter. One analyst was even speculating that further disposals might flow from among Pan Am's remaining European routes.

Whether a viable, if much smaller, airline results from this process is a much-debated question. Pan Am and United have also signed a co-operative agreement on South American routes.

That said, the pessimists point out that American, a much stronger airline, has acquired the Eastern Airlines routes, making it a much stronger competitor on the Latin American front. "The prospects for recovery can't be very good," comments Paul Turk at Avmark consultancy, a gloomy forecast echoed elsewhere.

Meanwhile, the airlines affected by United's deal will be awaiting the conclusion of bilateral talks in Washington this November, when the regulatory hurdles will be discussed. Without the go-ahead of the governments, Mr Wolf's deal will fall apart. Lex, Page 22; Continental may sell assets, Page 23

## Hahn set to stay as VW chief until 1993

By Andrew Fisher in Frankfurt

MR CARL HAHN, the chief executive of Volkswagen, is almost certain to stay on for two years after reaching retirement age in 1991.

He will be staying on to oversee the German car group's drive into east Germany and eastern Europe and to guide it into the post-1992 EC market.

VW said yesterday that a special committee of its supervisory board, which appoints top management, had recommended that Mr Hahn, 64, stay on until the end of 1993.

The committee includes Mr Klaus Liesen, chairman of the VW supervisory board and head of the Ruhrgebiets utility, and Mr Franz Steinkühler, the deputy chairman and leader of the big IG Metall trade union. The proposal is therefore virtually sure to be accepted when the full board meets on November 16.

The decision was preceded by speculation that Mr Hahn, who has headed VW for nearly nine years, would be asked to continue in office. It is usual for German executives to step down at 65.

Not only has the group embarked on a DM55bn (\$3.3bn) venture in east Germany, where he was born, but it is also keen to acquire a stake in Czechoslovakia's Skoda car maker.

VW is regarded as the front runner for Skoda by some German industrialists, but is up against a strong joint bid from Renault of France and Sweden's Volvo. Mr Hahn has taken a strong personal interest in VW's advance into east Germany - its Wolfsburg headquarters is next to the old German border. He regards the east German move as an important step in establishing a strong position in eastern Europe.

In its west German home base, VW is contending with considerable cost problems. Its South American operations have also been in difficulties.

In the first half of 1990, VW's pre-tax profits dropped by 16.5 per cent to DM1.16bn as a result of the strong D-Mark, tougher European competition, and weak markets in Brazil and Argentina. Lower taxes, however, left net profits 6.2 per cent higher at DM428m.

Among the candidates to succeed Mr Hahn were Mr Daniel Goedevert, 46, the former head of Ford-Werke (Ford of the US's German subsidiary) who joined VW last year, and Mr Helmut Werner, 64, the Daimler-Benz director for trucks who previously headed Continental tyres.

## Southland files bankruptcy petition as debt plan fails

By Barbara Durr in New York

SOUTHLAND Corporation, the parent company of the 7-Eleven convenience store chain, yesterday filed a bankruptcy petition with a "pre-packaged" reorganisation plan under Chapter 11 of the US bankruptcy code.

Southland's bankruptcy filing came after the highly leveraged company had failed to win approval for a debt swap from bondholders. Bondholders have repeatedly given a cold shoulder to the company's exchange offer, despite several extended deadlines. Under the new plan, pre-packaged by Southland and its creditors to speed up court approval, Southland's \$1.5bn publicly traded debt will be halved.

The Dallas-based company, which has around 7,000 outlets and is the world's largest convenience retailer, was taken private

in 1987 by the Thompson family, its founders, in a \$49bn leveraged buy-out. Although there had been fears that a bankruptcy filing would jeopardise the company's stock purchase agreement with Ito-Yokado, its Japanese partner, Southland announced that this deal would go forward.

Under the agreement, Ito-Yokado will buy 70 per cent of Southland's common stock for \$430m in cash. This is contingent on consummation of Southland's reorganisation by March 15.

In connection with the bankruptcy filing, made in the US Bankruptcy Court in Dallas, Texas, Southland said a syndicate of lenders had agreed to provide \$400m in debtor-in-possession (DIP) financing, pending confirmation by the court of its reorganisation plan. DIP financ-

ing, common in bankruptcy cases, is an extension or expansion of a company's credit line. The company will use the funds as working capital. The syndicate is being led by Bankers Trust.

Southland has asked for a bankruptcy hearing on December 10, and if the reorganisation plan is approved security holders will receive about 25 per cent of the company's common stock. The Thompson brothers, whose father founded the company, will retain 5 per cent of the common stock.

At the final tally on Tuesday, security holders representing 89 per cent of the outstanding principal of debt and 90 per cent of the outstanding shares of preferred stock voted to accept the plan. If the court accepts it, it will be imposed on all remaining security holders.

## Goodyear incurs \$61.4m loss

By Alan Friedman in New York

GOODYEAR Tire & Rubber, the last surviving US-owned large tyres group, yesterday reported a \$61.4m third-quarter deficit, the biggest quarterly loss in the company's 92-year history. The poor results were forecast by the company last month.

The troubled Akron, Ohio, company, which recently surrendered its world leadership to Michelin of France, also plans to lay off 3,000 employees by mid-1992, including a previously announced 1,180 in Europe.

Mr Tom Barrett, chairman, yesterday admitted concern about the depressed price of Goodyear's stock, which has been sold off steadily because of market worries about losses, and financial problems stemming from Goodyear's under-used \$1.6bn California-to-Texas oil pipeline.

Yesterday, Goodyear's shares

stood at \$16.4, up 3%. This was a third of their value a year ago, and 41 per cent lower than when Goodyear reported a \$9.4m second-quarter loss at the end of July.

Goodyear's market capitalisation stands at just \$941m, compared to \$2.7bn at the end of the 1989 third quarter, when the company made a \$70.5m net profit.

Goodyear has multiple problems. Although third-quarter sales rose by 8.2 per cent to \$2.9bn, the company faces severe competitive pricing in the tyre and truck production, and increased selling, administrative and general expenses. It also has to cut production to reduce inventories.

The third-quarter loss was worsened by \$66.6m of pre-tax write-offs. Some \$46.4m of these resulted from restructuring

charges linked with the previously announced loss of 1,180 European jobs, the phasing out of medium and heavy truck tyre production at a Quebec plant and the rationalisation of operations in Canada and Argentina. A further \$22.2m of charges were caused by environmental clean-up costs associated with discontinued operations.

Goodyear is meanwhile burdened by a \$3.5bn debt load stemming in part from its loss-making All American Pipeline, an ill-fated project that was built without contracting any shipments with big California oil companies. The 1,750-mile pipeline was supposed to carry offshore crude from Gaviota, near Santa Barbara, to West Texas. Instead, it has turned into a costly white elephant and has been snubbed by California oil companies such as Chevron.

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## INTERNATIONAL COMPANIES AND FINANCE

## NEWS IN BRIEF

## Nokia shows sharp rise to FM425m

NOKIA, the Finnish electronic and data systems company, yesterday reported a sharp rise in eight-month group profit before tax and minority interests to FM425m (\$113m) from FM255m a year earlier, writes Our Financial Staff.

Earnings per share rose to FM3 from FM1.7. Sales edged up to FM13.94bn from FM13.73bn.

Nokia said market demand strengthened in consumer electronics, mobile phones and telecommunications. This offset difficulties caused by tightening conditions in the computer sector and in some of the areas where Nokia's cables and machinery and basic industry groups operate.

■ **Preventus**, the Swedish investment company, has raised its equity stake in the French department store concern **Nouvelles Galeries** to 19.1 per cent by acquiring a 7 per cent interest from the New Zealand investment group **Industrial Equity (Pacific)** for about SKr400m (\$98m), writes John Burton.

The deal includes an option to acquire another 3.1 per cent in **Nouvelles Galeries** from IEP subject to French government approval.

■ **Banque Nationale de Paris** has taken a controlling stake in French independent stockbroker **Boscher**, which has been hit by steep losses, Reuters reports.

The bank gave no details of the size of the stake or the terms of the deal, but Mr Alain Boscher, brokerage chairman, said the BNP stake would be 50 per cent. Boscher was one of Paris's five remaining independent brokerage houses.

■ **Smiths Industries**, hit by cuts in US and UK defence spending as well as industrial unrest affecting its dominant aerospace division nevertheless achieved a 7 per cent increase in pre-tax profits in the year ended August 4, writes Claire Pearson.

Profits at the company, which also has medical systems and industrial divisions, rose from £112m (\$217m) to £120m, despite a fall in turnover to £57m from £70.3m.

## France to allow Hachette control over La Cinq

By William Dawkins in Paris

FRENCH broadcasting authorities have given clearance for Hachette, the publishing and media group, to take control of La Cinq, the loss-making private television channel.

The decision, by the Conseil Supérieur de l'Audiovisuel, brings to an end an 18-month battle for control of La Cinq, which has suffered from the plunge in advertising revenues and poor quality that has plagued most of the French television industry.

Hachette will now take 25 per cent of La Cinq's capital, the maximum allowed under French law, though it can also count on the support of a consortium of friendly banks, with just more than 20 per cent.

Mr Robert Hersant, proprietor of the right wing newspaper, *Le Figaro*, is surrendering control because he is unable to sustain his share of losses totalling FF2.5bn (\$476m) since he took over in 1987. He will reduce his 25 per cent stake to 10 per cent and hand over chairmanship of the channel to Mr Jean-Luc Lagardère, chairman of Hachette.

## French take control of Italian machine tool maker

By William Dawkins in Paris

NUM of France, Europe's second largest producer of numerical controls for machine tools, has taken control of Servomac, the leading Italian maker of machine tool motors.

The acquisition, for an undisclosed sum, gives the French group better integration across all stages of machine tool production when its Japanese competitors are increasing their European manufacturing activities.

It comes in the wake of a European Commission study warning that Europe's machine tool makers, typically small companies, face a growing competitive threat from larger Japanese suppliers, able to reap economies of scale in research and development, marketing and production.

This is a personal victory for the Hachette chairman, who has been seeking control of a television channel since he narrowly failed to get the franchise for TF1, the most successful private channel, on its privatisation in 1987. He believes La Cinq can be made to break even by 1994.

The CSA's ruling also goes against the advice of at least two government ministers who warned that France has one too many general interest television stations. Only two of the country's six main channels are profitable. La Cinq's competitors have also lobbied hard to have the channel closed or relaunched with a much reduced franchise.

However, in a gesture to the French television industry's problems, the CSA has asked Hachette to explore areas of co-operation between La Cinq and M6, a smaller private channel which is also losing money.

Hachette, reported a FF2.2bn turnover last year, of which 6 per cent was concentrated on broadcasting and film production.

## SKF down by 24% to SKr435m in third quarter

By Robert Taylor in Stockholm

SKF, the world's leading rolling bearings manufacturer, yesterday reported a fall of 24 per cent in third-quarter profits (after financial items) to SKr435m (\$75m) compared with the same period of 1989.

Mr Mauritz Sahlin, managing director, said the deterioration was due to falling demand made worse by "the tense situation in the Middle East".

The setback brings an end to a period of improvement that began more than two years ago. As a result income (after financial items) was little changed for the first nine months of 1990 at SKr1.78bn compared with SKr1.79bn.

Nine-month sales rose 14 per cent to SKr21.1bn with nearly half the improvement due to SKF's acquisition last March of Chicago Rawhide, the US maker of fluid sealing devices for automotive and machinery applications.

The company forecast continuing weakened demand for the rest of 1990, with ensuing cost increases.

As a result group profits for the fourth quarter will be lower than the SKr684m (after financial items) in the 1989 period.

Mr Sahlin said SKF's 1990 profits would be less than the SKr2.46bn achieved last year. The company is having to cut production as a result of falling demand.

Profits in rolling bearings, which account for about three quarters of SKF's sales, rose slightly to SKr1.49bn during the first nine months from SKr1.44bn a year earlier while sales increased by 8 per cent to SKr16.82bn.

But profits in the tools division fell to SKr69m from SKr94m over the January-September period. SKF blamed "the sharp decline in the Brazilian market" but added that a slight recovery can now be seen in that market.

There was a 17 per cent improvement in sales in the group's component systems area to SKr2.82bn but profit for the first nine months remained little changed at SKr245m against SKr248m.



**AFLOAT in the City:** Mr Erik Tonseth (left), president and chief executive of Kvaerner, in London yesterday for the announcement that the Norwegian mechanical engineering, shipbuilding and offshore contracting concern was applying for a listing of its "free", or unrestricted A and B, shares on London's International Stock Exchange, writes Andrew Baxter.

Mr Tonseth is pictured with Mr Steinar Dragebo, managing director of Kvaerner Gowan Shipyard (centre), and Mr Jan Magne Heggeland, group finance director. The free shares are open to non-Norwegians, but the B shares do not have voting rights. Mr Tonseth said about 20 per cent of Kvaerner's shares were held in the UK.

The company, Norway's largest employer in the UK following its 1988 takeover of the Gowan shipyard on the Clyde, is listing its shares to increase its international exposure. The listing is being sponsored by Bankers Trust.

## Worms warns Suez strategy may include the sale of assets

By George Graham in Paris

MR GERARD WORMS, the new chairman of Compagnie de Suez, yesterday spelt out his strategy for the French financial conglomerate for the first time since taking office 10 days ago after a protracted succession battle.

Announcing group net profits in the first half of this year estimated at FF2.7bn (\$514m), Mr Worms warned that Suez would have to tighten management of several subsidiaries and was likely to dispose of assets.

Net profits were 42 per cent higher than in the same period of 1989, thanks largely to a gain on the resale of shares in Victoire, the French insurance company of which Suez took control last year.

In what he described as his "profession of faith", Mr Worms laid out his hopes of reconciling the interests of Suez's estimated 800,000 small shareholders with those of the managers of the group's operating subsidiaries, and with those of institutions with large minority stakes in these subsidiaries. Subsidiaries include Victoire and Société Générale de Belgique (La Générale), the Belgian industrial holding company.

The new chairman made it plain that Suez intended to remain the majority shareholder in Victoire, despite the scarcely concealed desires of Union des Assurances de Paris, one of Suez's largest direct shareholders with 6.5 per cent and the largest minority shareholder in Victoire with an interest of 34 per cent, to increase its influence.

He also said Suez would remain in control of La Générale, denying reports that the company's Belgian minority shareholders wanted to regain control, and that there were no plans for reducing Suez's 100 per cent ownership of Banque Indosuez, its main merchant banking subsidiary.

It remains clear, however, that the management tensions, particularly at Victoire and La Générale, have not been resolved.

Mr Patrick Ponsolle, Suez's new operating officer, said the company's unconsolidated pre-tax profits had more than doubled to FF2.65bn in the first half. This included FF2.0bn of capital gains, comprising mainly a gain of FF1.84bn on the replacing of some of Suez's stake in Victoire.

He said the company had, however, been unable to produce consolidated figures

because of delays in the re-treatment of results from some of its subsidiaries and doubts over the exact level of minority participations.

The estimated net consolidated profit of FF2.7bn would have been FF3.0bn higher but for a change in the accounting treatment of deferred tax liabilities, and is expected to be finalised in the second week of November.

All Suez's main operating subsidiaries - Indosuez, Victoire and especially La Générale - have announced weak profits in the first half and a poor outlook for the second.

Mr Ponsolle said, however, that Suez had only FF300m of debt, and FF2.5bn of liquid investments, and had no need to tap the market for cash in the next 18 months.

He warned, however, that it was not possible to extrapolate the first half's results for the whole of 1990, because of the large number of exceptional items and because of the likely need to make provisions on some of Suez's equity stakes. A decline in earnings per share could not be ruled out, he said.

The group would have to adopt a "rigorous management of its assets", Mr Ponsolle said. *Lex, Page 25*

## SGS defers plan to enter D-Ram chip market

By Michael Skapinker

SGS-THOMSON, the Italian-French semiconductor manufacturer, has had to defer plans to enter the dynamic random access memory (D-Ram) market because it has not been able to find a partner to share the investment costs.

Mr Pasquale Pistorio, the group's president, said last March that he wanted to enter the D-Ram market by the end of this year. He believed the group has to become a volume producer of D-Rams, the basic building block of the electronics industry. If it is to maintain its technological expertise in more advanced products.

SGS-Thomson, which is jointly-owned by Thomson-CSF, the French state-controlled electronics company, and IRI/Finmeccanica, the Italian state-owned holding group, had hoped to persuade another semiconductor company to share the costs of D-Ram production. It has had talks with chip makers in the US, Europe and Japan. The company's preference, however, is a partnership with Siemens of Germany, the only European-owned manufacturer of D-Rams. The two companies have not yet agreed terms.

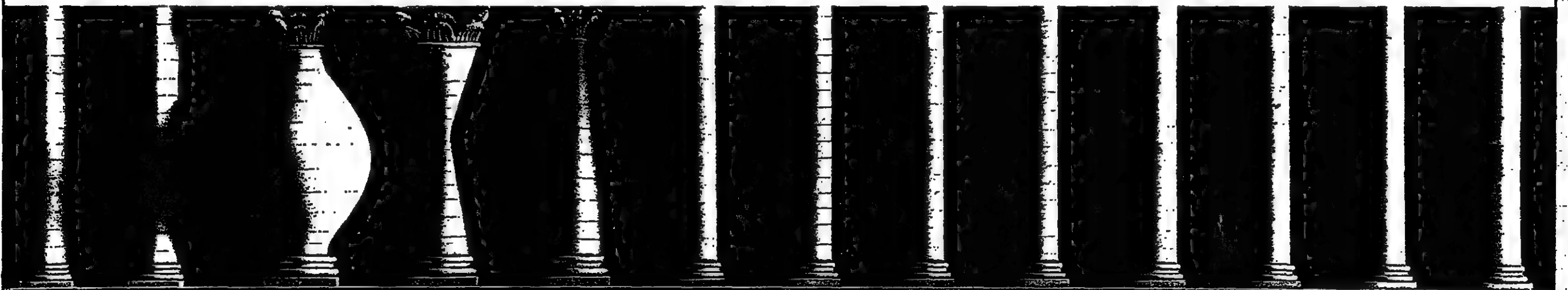
SGS-Thomson has made D-Ram sample products at its plant in Texas. With a new D-Ram factory costing \$1bn or more, however, SGS-Thomson is unlikely to begin volume production on its own. The company made a small net profit of \$3.2m last year on sales of \$1.3bn.

European-owned companies have had difficulty establishing themselves as producers of memory chips. Philips of the Netherlands said last month that it was ending pilot production of another type of memory chip, one-megabit static random access memories (SRams). Siemens has achieved impressive D-Ram sales and accounts for about 20 per cent of the European market. Siemens' D-Ram operation is, however, believed to be losing money.

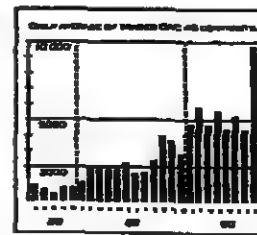
SGS-Thomson said yesterday it was committed to entering the market and would continue talks with potential partners.

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## INTERNATIONAL COMPANIES AND FINANCE

## S African gold producers feel the pinch

As costs per ounce exceed the metal price, remedies must be found, writes Philip Gawith

"In our position you have to generate as much money as possible, even if it means growing vegetables and selling popcorn and peanuts. That's the situation we're in."

Yon would not think it, but Mr Alan Field, a consulting engineer in Gengold, the goldmining subsidiary of the South African Gencor group, was referring to the parlous financial condition of the marginal Stilfontein gold mine.

Stilfontein, situated in the western Transvaal near Potchefstroom and managed by Gengold, is not alone in its woes. Mr Rob Gillan, an analyst at Frankel Kruger, the South African stockbroking firm, estimates that 23 mines producing approximately 21 per cent of South Africa's annual gold production have production costs per ounce in excess of the current gold price of \$373 an ounce. If capital expenditure is taken into account the figures worsen.

Mr Clem Sumter, chairman of Anglo American's gold and uranium division, stressed last week that the industry's profit margins had been very seriously squeezed in the past six months. The reasons, he says, are familiar. The gold price in 1988, Mr Sumter observed, averaged about \$270/ounce. Currently it is in the region of

\$30,000/kg. Over this same period, he said, the price of silver had risen by between 60 and 100 per cent and wages had increased by about 100 per cent.

The problems of a low gold price used to be alleviated by a deterioration in the value of the currency, the rand, so that gold revenues held up. Over the course of the past year, however, this pattern has changed.

Dr Chris Stals, governor of the Reserve Bank, the country's central bank, has made it very clear that he will defend the value of the rand. Although the rand has slipped

suppliers would have to revise traditional ways of doing business if their survival was to be ensured.

Mr Gary Mande, managing director of Gengold, recently noted that in the 18 months to the end of June, Gengold had shifted from producing 87 tons of gold a year with 94,000 workers to producing 84 tons of gold with 71,000 workers.

Stilfontein is a prime example of a mine which has had to undergo drastic surgery to have a hope of survival. Working costs, which were \$33m (\$5m) in the June quarter, will have to be cut to \$28m, says Mr Mande. Retrenchments

if you want to do something tomorrow". Another difficult balance to be struck relates to development. Costs must be cut, but if no development is done then there will eventually be nothing to mine. "You crucify yourself if you don't develop," says Mr Louw.

Accordingly, Stilfontein's directors authorised recently that \$25m be spent on developing the Venterdorp Contact Reef (VCR) to establish further reserves.

A significant managerial task is deciding what permutation of mining options to pursue to maximise revenue

A significant managerial task is deciding what permutation of mining options to pursue to maximise revenue

badly against most major currencies during 1990, it has shed less than 1 per cent of its value against the dollar, the unit in which most gold sales are denominated, since the end of 1989.

Thus gold producers have lost their buffer against a weak gold price. In these straitened circumstances, drastic remedies are required. Mr Sumter spoke of the need to "transform the gold mining relationship" suggesting that major stakeholders such as employers, unions, contractors and

inevitably play a major part in this process. The workforce, currently about 3,000, has shrunk by 1,000 in less than four months and it is anticipated that a further 500 jobs will have to go. "We are looking at everybody who is not producing kilograms of gold - that is the bottom line," says Mr Field.

This, however, is only part of the story. Retrenchment costs money and there is also the problem, says Mr John Louw, the mine's general manager, that "you don't retrench today

reserves of low-grade ore in the VCR, and reserves of surface dump tonnage which can be treated.

Its weaknesses are that its higher grade Vaal Reef reserves are virtually exhausted and mining Vaal Reef pillars (areas previously mined and later abandoned) is expensive. The total mining cost of Vaal Reef is \$283 per sq m compared with \$215 per sq m for VCR.

While the development of VCR will continue, Mr Louw says at a gold price of \$290,000/

kg, as opposed to \$34,000/kg, opening up the Vaal Reef pillars looks more attractive, so the mine is stepping up activity in this regard.

Increased dump tonnage is also being processed as, at a cost of \$23,500/kg gold produced, it is a profitable operation, even if gold yields are only a fraction of those from underground.

A big problem the mine faces is its high overheads, primarily the result of a large water content which requires that 58m litres of water be pumped out of the mine each day. The pumping bill alone is more than R1m/month, 35 per cent of the mine's power bill, and the state has been approached to offer assistance. The Marais Commission, which recently investigated state aid to marginal mines, recommended that this should only be considered where, ultimately, the mine was likely to become self-financing.

In the end the challenge is how to cut costs while maintaining or increasing gold production. Without the latter there is no way of paying overheads. Management remain resolutely optimistic.

Perhaps optimism is the only answer to an alternative too ghastly to contemplate. It remains, though, a considerable achievement amid adversity.

## NEWS IN BRIEF

## Profits rise at Fuji Electric

FUJI Electric, a leading Japanese electric machinery maker which is part of the Furukawa industrial machinery group, yesterday reported a 12.7 per cent rise in consolidated pre-tax profit for the first half to September, to ¥10,720m (\$83.6m) from ¥9,510m in the year-earlier half. AP-DJ reports from Tokyo.

Sales rose 13.7 per cent to ¥276.5m from ¥243.3m. Operating profit jumped 32.9 per cent to ¥14.6m from ¥11m while net income rose 18.3 per cent to ¥6.5m or ¥9.18 per share, from ¥5.6m or ¥7.88.

PT International Nickel Indonesia, a subsidiary of Inco of Canada, the world's largest nickel producer, said yesterday that its net earnings for the first nine months of this year fell to \$51.3m, a decrease from \$145m for the same period last year. AP-DJ reports from Jakarta.

"The decline was due mainly to lower nickel prices, the impact of which was partially offset by increased deliveries of nickel in matte," PT Inco said. The average realised price during the period was \$3.10 per lb against \$5.21 in 1989. It said net earnings for the third quarter of 1990 stood at \$18.6m, a decline from \$56.1m in the year-ago period.

The downturn in the third quarter was due mainly to reduced deliveries, the company said.

PT Unggul Indah, Indonesia's only maker of the detergent ingredient alkylbenzenes, said net profits for the nine months to September 30 1990 rose 89.78 per cent to \$6,334m from \$3,334m in 1989. Reuter reports from Jakarta.

The company said earnings per share on the unaudited accounts rose 54.36 per cent to Rp460 on the basis of 66m shares after a 10 per cent bonus issue from Rp298 on \$6.4m shares before the company went public.

Basimex, the Australian base metals producer, expects profits for the year to June 30 1991 to be lower than the \$103.7m net profit for the 1989/90 year, Reuter reports from Sydney.



The Kingdom of Belgium

US\$200,000,000  
Floating rate notes due October 1994

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 26 October 1990 to 26 April 1991 the rate of interest on the notes will be 8 1/8% per annum.

The interest payable on the relevant interest payment date, 26 April 1991 will be US\$10,190.10 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

## Hachijuni Asia Limited

US\$ 25,000,000

Dual Basis Bonds due 2000

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the second interest period from October 23, 1990 to April 23, 1991, the Bonds will carry an interest rate of 8 1/8% per annum.

The interest amount payable on the relevant interest payment date, April 23, 1991, will be US\$ 4,360.42 per US\$ 100,000 denomination.

The Agent Bank

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Subordinated Floating Rate Notes due 2000  
of which U.S. \$140,000,000 is being issued  
as the Initial Tranche and U.S. \$70,000,000  
is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 24th October, 1990 to 24th April, 1991 the Notes will carry a Rate of Interest of 8 1/8% per annum with an Amount of Interest of U.S. \$4,392.01 per U.S. \$100,000 Note. The relevant Interest Payment Date will be 24th April, 1991.

 Bankers Trust  
Company, London

Agent Bank

## Kumpulan Guthrie plans to become property group

By Lim Siong Hoon in Kuala Lumpur

KUMPULAN Guthrie, Malaysia's largest plantation group, proposes to diversify from rubber and palm oil into property development by reconstructing the vast land holdings held by its various subsidiaries.

This will result in the creation of one of the country's largest property groups, Guthrie Properties Development Holding.

The centre-piece of its proposal is five pieces of plantation land owned by Highlands and Lowlands, Guthrie's 61 per cent-owned subsidiary publicly quoted on the Kuala Lumpur and London stock exchanges. Under the proposal, Highlands and Lowlands is to trans-

## Slip expected for Singapore Air

SINGAPORE Airlines, the national carrier, hit by surging fuel costs and declining traffic growth, is likely to unveil lower half-year profit growth when it announces results on Sunday, analysts predict, Reuter reports from Singapore.

The group's half-year net profit ended September 30 1989, rose 34.4 per cent to \$810.3m (US\$356m).

But analysts predict the airline's net profit will grow at between 10 and 16 per cent in the year ended March 1991.

Mr Cheong Cheong Kong, the airlines managing director, told a business group meeting: "While we would continue to make a handsome profit by anyone else's standards, it would not be easy to maintain our good performance of the past."

## Standard Chartered to incorporate in Malaysia

By Lim Siong Hoon

STANDARD Chartered, one of the oldest offshore banking groups in Malaysia, is to incorporate its local banking operations in compliance with a banking law issued last October.

The law, the Banking and Financial Institutions Act, requires offshore banks, 16 in all, to be incorporated in Malaysia by September 1994.

Standard Chartered, second largest in terms of assets to the Hongkong and Shanghai Banking Corporation, is the only bank which, since the promulgation of the law, has publicly announced its compliance.

Mr A.G. Rogers, the new chief manager, said that negotiations were continuing

## REDEMPTION NOTICE

Notice is hereby given that Caplace N.V. has elected to redeem all of its U.S.\$2,172,000 9.5% Notes due December 31, 1993 (the "Notes"). The Notes will be redeemed on November 30, 1990 at a redemption price of 102% of the principal amount thereof, together with interest accruing to the date of redemption, at the office of Cititrust (Bahamas) Limited, the Paying Agent, in the Cititrust Building, Thompson Boulevard, Nassau, The Bahamas. Payment of the redemption price of the Notes will be made upon presentation and surrender of the Notes to be redeemed together with all appurtenant coupons maturing subsequent to November 30, 1990 at the aforesaid office. Interest on the Notes will cease to accrue on or after November 30, 1990. All interest accrued to November 30, 1990 will be paid at the aforesaid office on or after the aforesaid date upon presentation and surrender of the Notes.

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## NOTICE OF REDEMPTION

## Gulf Oil Finance N.V.

104% Guaranteed Notes Due December 1, 1994

NOTICE IS HEREBY GIVEN that, pursuant to the Fiscal and Paying Agency Agreement dated as of December 1, 1982 among Gulf Oil Finance N.V. (the "Company"), Gulf Oil Corporation, (renamed Chevron U.S.A. Inc.), as Guarantor and Morgan Guaranty Trust Company of New York, as Fiscal Agent and Paying Agent, under which the Company issued its 104% Guaranteed Notes Due December 1, 1994 (the "Notes"), the Company has elected to and shall redeem on December 1, 1990 (the "Redemption Date") all \$100,000,000 principal amount of the outstanding Notes at a redemption price of 104% of the principal amount thereof (the "Redemption Price"), being the amount of \$1,040,000 for each \$1,000 principal amount of Notes.

The Notes shall become due and payable on the Redemption Date at the Redemption Price and shall be paid commencing December 3, 1990, the first business day after the Redemption Date, upon presentation and surrender of the Notes together with all coupons thereto appertaining maturing after the Redemption Date at the offices of the paying agents listed below. The coupons for interest due on or before December 1, 1990 should be detached and should be collected to the usual manner.

The Notes will no longer be outstanding after the Redemption Date and interest on the Notes will cease to accrue from and after the Redemption Date and the coupons for such interest shall be void.

Payment of the Redemption Price for each Note will be made at the offices of the Paying Agents set forth below, by United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City. Any payment made either at the office of the paying agent in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City, unless payments made at the offices of the paying agents outside the United States, may be subject to reporting to the United States Internal Revenue Service (the "IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-4, certifying under penalty of perjury that the payee is not a United States person, or an executed IRS Form W-9, certifying under penalty of perjury that the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Under paragraph 2(c) of the Notes, the imposition of backup withholding in these circumstances does not obligate the Company to pay any additional amounts. Holders required to provide their correct taxpayer identification number on IRS Form W-9 who fail to do so may also be subject to a U.S. \$50 penalty. Notes being presented for payment at the paying agent in New York City or through a New York City bank account, should be accompanied by the appropriate certification.

## PAYING AGENTS

Morgan Guaranty Trust Company  
of New York  
Corporate Trust Operations,  
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30 West Broadway  
New York, New York 10015

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of New York  
Morgan House  
1 Angel Court  
London EC2R 7AE  
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Morgan Guaranty Trust Company  
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Mainzer Landstrasse 46  
6000 Frankfurt-am-Main 1  
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Morgan Guaranty Trust Company  
of New York  
Avenue des Arts 35  
1040 Brussels, Belgium

Morgan Guaranty Trust Company  
of New York  
14, Place Vendôme  
75001 Paris, France

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Dated: October 25, 1990

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In accordance with the terms and conditions of the Notes, we hereby give notice that the next interest date will be January 24, 1991.

Annual interest rate for the period from October 24, 1990 to January 24, 1991 will be 8 1/8%.

Interest payable will be:

- US\$ 215,625 per US\$ 10,000 nominal principal amount for registered notes
- US\$ 215,625 per coupon for US\$ 10,000 denomination bearer notes.
- US\$ 5,390.63 per coupon for US\$ 250,000 denomination bearer notes.

BANQUE GENERALE DU LUXEMBOURG S.A.  
Agent Bank

## NOTICE OF INTEREST RATE

(To the holders of)

BankAmerica Corporation Floating Rate

Subordinated Capital Notes

Due October 1999

Pursuant to the provisions of the Notes

issued under the indenture of BankAmerica Corporation dated as of June 15, 1984 as amended

by the Second Supplemental Indenture dated as of September 30, 1987, the rate for the period

from October 24, 1990 up to and including January 23, 1991 is 8.4375%. The amount of

interest payable on January 24, 1991 is U.S. \$2,411.81 for each \$100,000 principal amount of the Notes.

Manufacturers Hanover Trust Company as Calculation Agent

October 22, 1990

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NEW MONEY BOND DUE 1999

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## INTERNATIONAL COMPANIES AND FINANCE

## Petroleum side bolsters Du Pont

By Karen Zagor in New York

DU PONT, the biggest US chemicals company, yesterday unveiled slightly lower third-quarter net income with strong gains from the company's petroleum business helping to overcome the depressing effects of a weak US economy and continuing softness in the world chemical industry.

At the same time, it has increased its quarterly dividend from 40 to 43 cents a share.

In the three months to September 30, net income eased 3 per cent to \$533m from \$547m. Thanks to fewer shares outstanding and an extraordinary gain of 8 cents a share in the latest quarter, earnings-per-share were unchanged at 79

cents. Sales in the quarter advanced 16 per cent to \$9.9bn from \$8.6bn.

For the first nine months, net income amounted to \$1.64bn or \$2.71, down 8 per cent from \$2.20 or \$2.59 a year earlier. Sales increased by 9 per cent to \$28.98bn from \$26.54bn.

Mr Edgar Wollard, chairman, said results from the petroleum business benefited from higher crude oil prices, "which will provide a hedge to rising feedstock costs in our chemical operations. At the same time, earnings in several of our chemical businesses continued to be adversely affected by the slowdown in the US economy."

Du Pont's modest falls are in

sharp contrast to Dow Chemical and Union Carbide, whose third-quarter earnings fell by 54 and 55 per cent respectively, largely because of their large exposures to the volatile commodity chemical business and higher costs for raw materials due to the Gulf crisis.

Monsanto, another large US chemical company, has postponed releasing its third-quarter results from Tuesday until tomorrow, prompting speculation that it may announce a significant restructuring and write-off.

After-tax operating income from Du Pont's petroleum business surged to \$273m in the latest quarter, excluding one-time items, from \$98m. Du

Pont attributed the improvement to strong European refined product margins and higher worldwide crude oil prices.

Du Pont's other major business segments reported flat or lower operating income in the quarter. Earnings from its polymer operations were unchanged at \$107m, excluding a one-time gain in the latest quarter. Profits from fibres operations plunged to \$72m from \$180m, reflecting lower volume and a decline in prices, while the coal business slipped to \$39m from \$41m because of higher costs and slightly softer prices. The industrial products segment saw earnings drop 30 per cent to \$108m.

## Squeezed margins hit Mobil and Shell Oil

By Martin Dickson and Alan Friedman in New York

TWO LEADING US oil companies, Mobil and Shell Oil, suffered substantial earnings drops in the third quarter.

Both companies stressed that, contrary to popular belief, they had not benefited from the invasion of Kuwait and the subsequent sharp rise in the price of crude.

Rising profits upstream had been more than offset by squeezed margins downstream, where the higher cost of products had been only partially reflected in price increases to customers.

Mobil said its earnings dropped 29 per cent to \$375m or 59 cents a share, on revenues up to \$16.5bn from \$13.4bn. It added that special items had lifted the third-quarter result by \$11m, some \$41m lower than a year ago.

## Exxon's earnings hold steady in third quarter

By Martin Dickson in New York

EXXON, the world's largest oil company, yesterday reported unchanged third-quarter earnings, with higher upstream profits from the summer's sharp rise in crude prices being exactly offset by lower margins in its downstream operations.

Other large US oil companies, anxious to dispel the popular belief that they have profited greatly from the Gulf crisis, have reported similar pressures and very mixed results, depending on the relative importance of upstream and downstream operations to their businesses.

Exxon said third-quarter net income was \$1.07bn or 55 cents a share, the same as in the third quarter of 1989, although revenues rose to \$23.02bn from \$22.66bn.

Mr Lawrence Rawl, the

chairman, said: "Prices for petroleum and chemical products did not keep pace with rising costs of raw materials during the period. Consequently, the additional income from higher crude prices was offset by lower earnings in refining, marketing and chemical operations."

He added that in the two months following the start of the Middle East crisis, refining and marketing in the US had operated at a loss.

Third-quarter earnings from exploration and production totalled \$380m, up \$267m from a year ago, mainly because of a \$6.30 a barrel rise in the worldwide realised price of crude. US earnings were up \$161m and foreign earnings up \$106m.

Refining and marketing earned \$246m, down \$101m

from a year ago, on a 2 per cent rise in sales volume. The US accounted for 70m of the decline, and the drop in profits would have been even greater if it were not for a \$90m gain on foreign asset sales, up from \$15m a year ago.

Chemicals produced earnings of \$55m, down \$18m from 1989. The company said that while demand remained strong, increased industry capacity and higher raw material costs had compressed margins. Sales were up 3 per cent.

For the first nine months, net income was \$3.45bn or \$2.73 a share. Excluding provisions relating to the Exxon Valdez tanker disaster in Alaska and a gain from a new accounting standard, earnings for the first nine months of last year were \$3.37bn, or \$2.64 a share.

## Sun Micro shares slip to year's low

By Louise Kehoe in San Francisco

SUN Microsystems' share price fell sharply yesterday to a 12-month low of \$15, down from \$20% on Tuesday when the company reported disappointing first-quarter earnings after the close of trading.

Concerns about the computer workstation manufacturer's financial performance were compounded by the announcement yesterday by LSI Logic, a leading US semiconductor manufacturer, that it was selling chips designed to build "clones" of Sun workstations to more than 40 computer manufacturers.

Several Sun clones are expected to be introduced at a computer trade show in Las Vegas next month and they are expected to undercut Sun's workstation prices.

LSI Logic is licensed by Sun to produce the Sparc microprocessor that is at the heart of its most popular products.

Sun has licensed Sparc to several chip makers to try to establish the chip as a desktop computer standard to compete with IBM-compatible personal computers. Now, however, the workstation market leader appears likely to face stiff competition.

The emergence of Sparc clones comes as Sun is struggling to control internal problems, which the company said delayed shipments for as long as four to five weeks during its first fiscal quarter.

A combination of difficulties caused the sales delays, Sun said.

During the quarter, it established a new US distribution centre and reorganised its US sales force.

In addition the company said that shifting demand had forced it to adjust component deliveries.

Net income for the first quarter jumped to \$26.1m, or 25 cents a share, from \$6.2m, or 7 cents last time.

Revenues for the first quarter were \$677m, a 36 per cent increase over the \$538.5m reported in the same period a year ago.

Analysts had anticipated earnings of about 45 cents a share for the quarter.

## Sharp rise at Avon Products

By Karen Zagor

AVON PRODUCTS, the world's biggest manufacturer of cosmetics and toiletries, yesterday reported strong third-quarter earnings on modestly higher sales.

Net income was \$44.6m or 59 cents a fully-diluted share, more than 28 per cent above the \$34.6m or 46 cents reported in 1989. Sales rose 6 per cent in the quarter to \$950.8m from \$895.1m.

The results were at the high end of analysts' expectations and shares in Avon added 1/4 to 3/4 by mid-day yesterday.

Avon's income before taxes and minority interest rose 18 per cent in the quarter to \$70.8m from \$67.8m.

For the first nine months of 1990, net income advanced 34 per cent to \$107.3m from

\$80.3m a year ago. Primary earnings per share jumped 46 per cent to \$1.43 from 97 cents on sales which grew 3 per cent to \$2.33bn from \$2.27bn.

Pre-tax earnings from US operations grew 11 per cent on essentially flat sales while pre-tax profits from Avon International jumped 23 per cent on a similar increase in sales.

Mr James Preston, chairman and chief executive, said: "Our strong third quarter reflects continued profit improvements in the Americas, continued reduction in interest expenses and a lower tax rate. We expect 1990 to be another excellent year for Avon, both in terms of earnings increases and of further strengthening of the balance sheet."

Avon, which came under

sharp criticism from investors last year for not fully realising shareholder value, has made great strides in improving its earnings in spite of less impressive sales growth.

According to analysts at Oppenheimer in New York, Avon is well positioned to weather a recession, since direct-selling businesses tend to be recession resistant.

Mr Preston said Avon is negotiating to sell about half of its 60 per cent stake in a Japanese subsidiary and should know within a few weeks if it will be able to complete a sale this year. Earlier this year, Avon had arranged to sell its holding in Avon-Japan for \$450m in cash and royalties, but the deal fell through in April.

## Continental Air may sell assets

By Nikki Tait in New York

CONTINENTAL Airlines, the US carrier, said yesterday that, having studied possible options after fuel price jumps, asset sales may be on the cards.

But it denied that it planned to seek protection from its creditors under Chapter 11 of the bankruptcy code.

However, it declined to say what assets might go up for sale, or whether these would include any of the company's routes.

The airline, in which Scandinavian Airlines System now has an 18.4 per cent holding,

confirmed it had been "examining prudent steps to take" in the light of fuel cost increases. There was a Continental board meeting on Monday, and one US newspaper suggested that the Chapter 11 option was worked on furiously over the weekend.

Continental did not comment on this specifically, but said that Chapter 11 "is not one of the options today". Its shares, however, still slipped 1/4 to 3/4 by mid-session in New York.

Standard & Poor's, the US

rating agency, announced yesterday that it was downgrading the rating on the holding company's \$375m of senior debt, to triple C from single-B-minus.

Debt ratings on some of the Continental Airlines subsidiary's senior and subordinated debt were also downgraded.

S&P said Continental's operating performance had improved relative to the rest of the industry, but that higher fuel prices and sluggish demand would more than offset those positive trends over the near-term.

## Net income soars 42% at Compaq

By Louise Kehoe

COMPAQ Computer, the US personal computer manufacturer, reported a strong third quarter, easing widespread concerns about a slowdown in the US market for its computers.

Net income for the quarter was \$124m or \$1.26 a share, a 42 per cent gain on 1989's corresponding \$87m or \$1.01. Sales rose 26 per cent to \$663m, from \$525m in the same period last year.

Income in the latest quarter was boosted by 20 cents per share by a gain from the

increased value of Compaq's shareholdings in Conner Peripherals, a disk drive manufacturer.

Net income for the first nine months of 1990 amounted to \$320m or \$3.62 a share, compared with \$254m or \$2.96 in 1989.

Sales were \$2.6bn, up from \$2.1bn.

"Excellent sales growth during this quarter can be attributed to continued European strength and increased momentum in the North American market," said Mr Rod Canon,

president and chief executive. Compaq's third-quarter unit shipments in North America increased by 30 per cent over the same quarter last year, the company said. Sales revenues were up 5 per cent.

European and international sales comprised 53 per cent of Compaq revenue during the quarter and grew by 54 per cent compared with the same period last year.

Compaq's share price rose sharply yesterday from a Tuesday close of \$43 to trade at \$46 1/2 at mid-day.

## McDonald's looks forward to 'good year'

By Barbara Durr

MCDONALD'S, the world's largest fast food chain, has reported third-quarter earnings per share of 67 cents, up 12.5 per cent from 59 cents per share in the year-ago quarter.

Sales during the past quarter rose 9 per cent to \$4.9bn, from \$4.5bn a year earlier.

Despite a weakening US economy, the company said it expected 1990 to be "another good year" with earnings in line with investor expectations.

Mr Edward Reasi, McDonald's president, said that while the company was not recession-proof, it was "somewhat recession-resistant".

For the nine months ending September 30, sales totalled \$13.9bn, an 8 per cent increase over last year's \$12.8bn. But domestic operating margins were under pressure, declining during the first nine months to 17.9 per cent from 18.1 per cent last year.

Slower growth in the domestic market has in part been offset by holding down expenses and controlling capital expenditures. International sales continued to be strong.

## Mine closure hurts Cominco

By Bernard Simon in Toronto

COMINCO, the Canadian metals and minerals producer, saw earnings plunge 86 per cent in the third quarter largely due to the closure of the Pine Point lead and zinc mine in the Northwest Territories and an operating loss at its big smelter at Trail, British Columbia.

Net income dropped to \$11.6m (US\$11m) or 12 cents a share, from \$93.4m or 42 cents a year earlier. Sales rose slightly to \$333m. The figures include a \$56m charge for interest paid on loans for the Red Dog zinc mine in Alaska, which recently began commercial operations.

The new QSL lead smelter is due to come on stream next March. Meanwhile, the old

smelter returned to a \$31.4m profit from a loss of \$21.1m, largely because of higher volumes.

Cominco said \$30.5m of the drop in mining income was due to the closure of Pine Point, in which it has a 50.1 per cent interest. Open-pit mining at Pine Point ceased in 1988 but substantial concentrate sales took place from stockpiles last year.

The Trail facility has suffered a series of setbacks, including the shutdown of a brand-new lead smelter and lower zinc output stemming from modifications to the zinc smelter.

The new QSL lead smelter is due to come on stream next March. Meanwhile, the old

smaller is operating at about 80 per cent of former capacity. Output of concentrates at Trail, the world's biggest zinc mine, reached 80 per cent of planned levels in the third quarter.

The final shipment of concentrates for the 1990 shipping season left the mine at the beginning of October, bringing the total for the year to 320,000 tons.

Cominco said that the long-delayed Snip gold mine in north-west British Columbia was due to start production next January.

Earnings for the first nine months slipped to \$251.5m or 62 cents from \$317.5m or \$2.16 for the period last year.

## Surge in oil price gives Nova a boost

THE GULF crisis has given a badly-needed fillip to Nova Corp, the Calgary-based petrochemicals producer which has been selling assets to lighten a heavy debt burden, writes Bernard Simon.

Operating profit from mining and metals fell to \$44.1m from \$99.8m, but the fertilizer divi-

sion returned to a \$31.4m profit from a loss of \$21.1m, largely because of higher volumes.

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September, 1990

## Buffett builds Wells Fargo stake

MR WARREN BUFFETT, the best-known investor in the US and one of the most successful, has built a 9.5 per cent stake in Wells Fargo, the West Coast banking group, writes Martin Dickson.

Mr Buffett has long been regarded on Wall Street as the nearest thing to a stock-picking genius, although of late

some of his investment decisions have provoked criticism.

The bank said it did not know how long Mr Buffett had been an investor. Any stake of more than 5 per cent has to be publicly announced and Mr Buffett's holding came to light through a routine filing with the Securities and Exchange Commission.

Operating profit from mining and metals fell to \$44.1m from \$99.8m, but the fertilizer divi-

## ALLIANCE LEICESTER

## Alliance &amp; Leicester Building Society

£200,000,000 Floating Rate Notes 1993

## Notice of Early Redemption

On behalf of the Issuer, S.G. Warburg & Co. Ltd, hereby gives notice to the holders of the above-mentioned Notes that in accordance with Condition 6(b) of the Notes the Issuer will redeem all of the Notes then outstanding on 30th November, 1990 (the "Redemption Date"). The Notes will be redeemed at their principal amount on the Redemption Date in accordance with the terms and conditions set out on the back of the Notes.

Payments of principal will be made on or after the Redemption Date at the specified office of any of the Paying Agents listed below against surrender of the Notes together with all outstanding Coupons. Coupon No. 19 maturing on 30th November, 1990 should be presented for payment in the usual manner in respect of the interest payment due on that day but otherwise interest will cease to accrue on the Notes from the Redemption Date. Unmatured Coupons shall become void and no payment shall be made in respect thereof.

Notes and unpaid Coupons will become void unless presented for payment in the case of Notes, within a period of two years from the Redemption Date, and, in the case of matured Coupons, within a period of five years from the final date for payment thereof.

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In accordance with the provisions of the Notes, notice is hereby given that for the last interest period from October 25, 1990 to January 25, 1991 the Notes will carry an interest rate of 8 1/4% p.a.

The interest payable on the relevant interest payment date, January 25, 1991 against coupon n°20 will be US\$ 2,092.50 per Note of US\$ 100,000 nominal and US\$ 5,230.00 per Note of US\$ 250,000 nominal.

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U.S.\$300,000 4 per cent. Guaranteed Bonds Due 1993

With Warrants to Subscribe for Shares of Common Stock

Pursuant to Clause 3(a)(ii) of the Instrument dated 27th July, 1989 (the "Instrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of Unitika Ltd. (the "Company") adopted at the meetings held on 9th October and 16th October, 1990, the Company issued DM75,000,000 5 1/4 per cent. Bonds 1990/1994 with warrants to subscribe for shares of common stock of the Company on 25th October, 1990 at the subscription price of \$477 per share.

As a result of the above issue, the Subscription Price (as defined in the Instrument) has been adjusted pursuant to Clause 3(a)(iii) of the Instrument as set forth below:

Subscription Price before adjustment: Yen 801

Subscription Price after adjustment: Yen 798.90

Effective date of adjustment: 25th October, 1990, Japan time

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## UK COMPANY NEWS

## Tempting shareholders to back a tunnel vision

Andrew Hill and Andrew Taylor on Eurotunnel's proposed £530m money-raising plan

THE MONSTER created by Dr Frankenstein would fit almost as well into advertisements for the Channel tunnel project's proposed £530m rights issue as it has into the UK electricity industry's privatisation campaign.

Eurotunnel, like Frankenstein's creation, seems to have come back from the dead. Its rights issue - which, like the flotation of the electricity distribution companies, should take place next month - marks the latest revival of a project which has been laid out for burial on several occasions.

Today more than 200 international banks are due to sign a new £2.1bn loans package, which must be completed before the rights issue can go ahead.

The cash is needed to finish the scheme, which has risen in cost from an initial estimate in 1987 of \$4.8bn, to \$7.7bn - an increase of 60 per cent.

Eurotunnel will have to convince new and existing shareholders that:

- the problems which caused the dramatic increase in costs have been resolved and that most of the risks of construction have now been removed;
- the returns offered to investors are still attractive, in spite of the rise in costs;
- the group will have enough money following the latest cash call to complete the project on time without having to come back to shareholders for more funding.

The company's campaign should be helped by the fact that the rights issue will coincide with an historic breakthrough in the construction of the link.

Engineers digging the service tunnel from the British and French coasts are now a few metres from shaking hands under the Channel. For the

first time since the Ice Ages, people will be able to walk from Britain to the continent of Europe.

The breakthrough of the service tunnel will be the most striking symbol of the vast improvement in the project's progress since construction started at the beginning of 1990, shortly after Eurotunnel had completed a \$6bn financing - \$5bn of loans and stand-by credits, and \$1bn of equity.

In the prospectus for the 1997 offer for sale, Eurotunnel forecast that the project would generate an internal rate of return of 17 per cent. By summer this year the prospective rate of return had fallen to about 14 per cent, assuming a rights issue price of about 400p per share. Costs have risen much faster than traffic and revenue projections.

But Eurotunnel argues that the big risks, traditionally associated with a speculative development project, have been removed, as construction has progressed. Some 70 per cent of the tunneling and 60 per cent of the terminals have now been completed. Agreements to buy much of the equipment and rolling stock have also been negotiated, according to Mr Alastair Morton, Eurotunnel's chief executive.

Once completed, he says the project will take on the characteristics of a utility. The capital investment will have been made; there will be a guaranteed stream of income to repay loans and start paying dividends; maintenance costs are expected to remain low.

But there is much more to the Channel link than the physical construction of tunnels and terminals. Even though most of the equipment and rolling stock has been ordered, Eurotunnel still has to join the pieces together to cre-



Alastair Morton and André Dénard, the British and French heads of Eurotunnel, pull together the new financing package

ate an efficient and profitable part of a larger European railway system.

Each month's delay in completing the project, which is due to open in summer 1993, would add more than \$50m to Eurotunnel's interest bill. Also still to be resolved are disputed claims for \$500m of additional payments, which Eurotunnel's contractors say they are owed.

Today's loan agreement and next month's cash call will provide Eurotunnel with a cushion. About \$1bn of the \$2.1bn of funds then available to the project could be used to cover any further increases in costs.

But the group still has to make a convincing case to several distinct groups of shareholders, whose loyalty has been tested over the last 18 months. Yesterday the shares

rose 35p to 400p in expectation of today's signing ceremony, but that still compares with a peak of nearly \$11 last summer.

Eurotunnel has 530,000 separate shareholders, predominantly French and British institutions and large numbers of individuals. Individual shareholders include three in Afghanistan, one in Cuba, 14 in Togo and a sole investor in Albania.

An unusually high proportion of Eurotunnel's equity - nearly 44 per cent - is owned by individuals. Many of them own no other shares. Almost half the UK individual shareholders has never used a stockbroker.

A large number bought shares for the first time last year, when the original share issue and Eurotunnel

call for more than a year. Eurotunnel revealed that it was running out of money to complete the project last summer and it has taken since then to negotiate new loan agreements with the banks.

Mr Graham Corbett, Eurotunnel's finance director, says: "This must be the longest pre-bidding of any rights issue in history and I have to assume that any views the market might have about it have been reflected in the [share] price for several months."

More importantly, for Eurotunnel, the rights issue was pre-underwritten by traditionally sceptical institutional investors in Britain and France in May. This is a signal of confidence in the future of the project, says Mr Corbett. The group is now seeking to re-negotiate the issue to allow itself greater flexibility in pricing the new shares.

Eurotunnel's advisers say market conditions are not fundamental to the success of this rights issue. The last public offer of shares was a success although it was launched within weeks of the October 1987 stock market crash, and the long-term nature of the project enables Eurotunnel's share price to ride out short-term stock market movements.

"The fact that we will not pay a dividend until 1997 or 1998 gives us a degree of padding," says one adviser.

On the other hand, the fact that the project is still two years from opening and at least seven years from paying its first dividend means investors still have to take a lot on trust.

The rights issue is already pre-underwritten and once the banks sign today, completion of the tunnel is assured, Eurotunnel believes. The question is: will shareholders back Eurotunnel's vision?

## Lionheart plans to pay dividends after reorganisation

By Andrew Bolger

LIONHEART, the housewares and retail display systems group formerly known as Spong Holdings, is proposing a capital reorganisation so that the company will be able to pay dividends out of future earnings.

The reorganisation, which is subject to shareholder and court approval, will eliminate the accumulated deficit of £1.5m on the group's profit and loss account reserves. The board said it intends to resume payment of dividends to ordinary shareholders next year after £600,000 in arrears of dividends on preference shares had been paid, dependent on the subsequent trading performance of Lionheart.

Mr Paul Lever, executive chairman said: "Current trading is not bad - not at exciting levels, but we are profitable

and on course."

Last October, Lionheart bought Hamilton, a private company which manufactures paint brushes and decorating equipment. The consideration comprised an initial \$5.3m, plus a deferred payment of up to £1.5m, depending on Hamilton's performance to the end of this year.

Lionheart said that after a review by independent accountants, it was confident that the full £1.5m would be payable. In order to speed the combination of the Hamilton business with that of Acorn Decorating, which was acquired in July, the board had decided to bring forward this payment.

The group would therefore issue up to 8.3m new ordinary shares in Lionheart to the vendors of Hamilton following an EGM on December 17.

## Acquisitions boost Bimec

BIMEC Industries, the pollution control and treatment group, doubled turnover to £24m and saw profits before tax rise from £204,000 to £2m for the six months to end-September.

During the half year three acquisitions were successfully integrated and at the period end net bank borrowings were contained to £1.39m, representing a gearing level of 10 per cent.

The interim dividend is

lifted from 0.33p to 0.5p from earnings of 2p (1.2p).

For the 1989-90 year as a whole pre-tax profits amounted to £2.77m and shareholders received a 1p total dividend.

The group, which graduated from the Unlisted Securities Market to a full listing two months ago, said all three divisions were continuing to trade profitably.

The current order book stands at £34m.

## Phaidon Press sold by receivers

Phaidon Press, the art publisher, has been sold by the receivers of Masterin Group to Mr Mark Futter and Mr Richard Schlegman. The current management team and all staff will be retained.

Phaidon, based in Oxford, has annual sales of about \$2m.

## Heywood purchase

Heywood Williams has bought Double Glazing Components for the issue of 350,000 shares.

## Correction Erskine House

Copy Consultants of Carlisle, which went into receivership on Tuesday, is not a subsidiary of Erskine House, as reported in Wednesday's Financial Times. In 1985 Erskine House acquired Stapleport, an unconnected company with headquarters in Bath and branches in Plymouth and Bournemouth which traded as Copy Consultants until last year, but now trades under the name of Erskine West. We apologise to Erskine House for making this unfortunate error.

ALUMASC had enjoyed a very busy first quarter, however, it could not ignore the slowdown in many of its markets, the annual meeting was told. The company was in a strong position to make the most of those conditions.

ASE & LACY has agreed to acquire Société Nantaise de Gelvatisation for a total of FF272m (£2.7m) cash. The pur-

chase will be funded by a new loan facility in France.

BRIDGEND GROUP is returning to distribution via an agreement to acquire the assets, certain liabilities, the business and goodwill of John Sydney. The company, an Eagle Trust subsidiary, distributes bathroom and kitchen fittings. Consideration is equal to value of Sydney's net assets as

at September 30 1990, satisfied by a payment of £2.9m conditional on approval of Bridgend shareholders. A further £300,000 will be paid into escrow pending finalisation of completion accounts.

BRITISH AEROSPACE: Barclays de Zoete Wedd confirmed purchase of 30.01m nominal (80.04 per cent) of Arlington Securities 9.5 per cent cumula-

tive redeemable preference shares 2008. Shares purchased by BZW will in turn be bought by Baa.

ROBINSON INDUSTRIES has made further property disposals for a total of £5.32m, making a total of £10.6m realised in the last month.

BTP has agreed to purchase for a total of A\$4.1m (£1.7m) two specialty chemicals operations

in Australia. The largest purchase is ICI Australia Operations, for A\$3.5m. The other is Polymer Coatings and Adhesives.

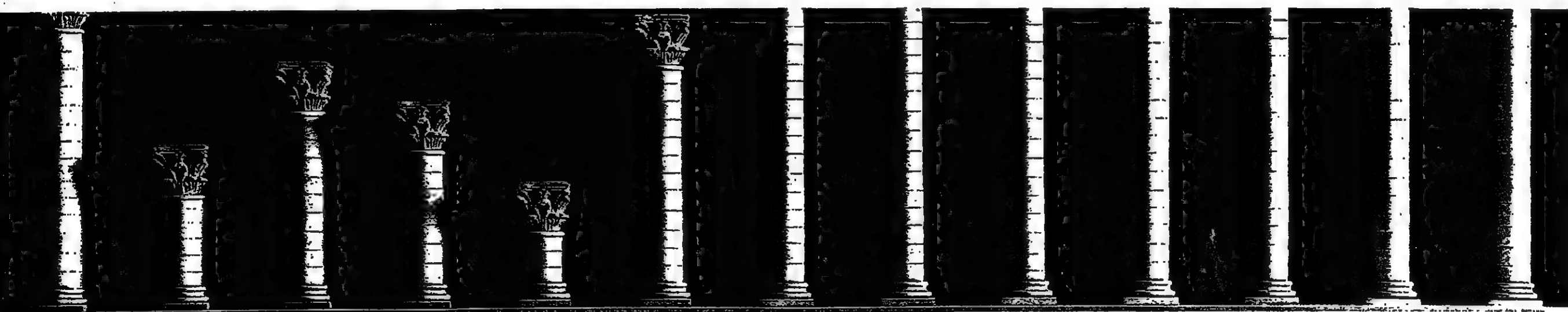
EIS Group has paid £350,000 cash for the trade and assets of Coventry Climax Engines, which is in receivership. It will be relocated at EIS subsidiary Horstmann Defence System's factory in Beth.

FTP BROADCASTING: Chiltern Radio's total holding of shares and rights over A ordinary shares is 3,601 shares (35.01 per cent).

RACAL ELECTRONICS has, through its Racal Electronics Europe subsidiary, acquired Melkramer Midden-Nederland, a central station alarm monitoring service for £1.18m.

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## UK COMPANY NEWS

# Anglo United sells NSM stake to repay debt

By Richard Gourley

ANGLO UNITED, the highly-indebted fuel distributor and mining group, yesterday sold its 20.62 per cent stake in NSM, the mining and building materials group, to use the proceeds to pay off debt resulting from its acquisition last year of the much larger Coalite group.

The £22m raised will be used to meet the bank's requirement that the £440m debt it took on to acquire Coalite should be reduced by £265m by the end of the financial year in February 1991.

Stockbrokers Smith New Court and Charterhouse Finance took the shares on to their own books on Monday in a bought deal before placing them with institutions yesterday.

Prior to the Coalite acquisition, Anglo had gearing of about 90 per cent with debt of £20m. After the sale of NSM and further repayments the company will still have a negative net worth, Mr John Gainham, the finance director said.

However, the company would move onto a less rapid repayment schedule next year, he said.

In February this year Anglo took up its rights in NSM's £49m rights issue, making it

clear it was looking for a buyer willing to pay a premium that recognised the strategic value of its stake.

Mr Gainham said yesterday it had been only a question of time before Anglo sold its stake which it acquired when it injected its coal interests into Burnett and Hallamshire, the mining group, in 1988, which was renamed NSM.

By June this year Mr David McFarlane, Anglo's chairman, said the group had already raised £135m by disposing of Coalite's waste disposal, builders' merchant and quarrying activities. The company was also looking to sell its property and oil exploration assets.

Anglo has repaid £150m of its £200m bridging loan, which expires by February next year. The sale of the NSM stake helps the company repay the £55m of the £200m term loan also by that date, Mr Gainham said.

One analyst said that the sale of the NSM stake had largely solved Anglo's short-term problem with high gearing but that there had to be a residue of concern when the company was being run with at least one eye on the banks.

## Boots in £19m drugs deal with Medeva

By Clive Cookson

BOOTS, the pharmaceutical and retailing group, is to buy a range of over-the-counter drugs from Medeva, the UK medical research and manufacturing company, for £18.5m.

Over-the-counter medicines do not require a doctor's prescription. The principal brands in the deal are Mycil (for athlete's foot), Dequa (sore throat treatment), Nylax (laxative) and Sea Legs (travel sickness remedy).

Medeva had acquired these products as part of its £57m takeover of Evans Healthcare early this year. Their sales in 1989 amounted to £1.82m realising operating profits of £1.24m.

Dr Eric Cliffe, managing director of Boots Pharmaceuticals, said the deal was part of the company's policy of expanding Crookes Healthcare, its over-the-counter subsidiary.

Medeva will continue to manufacture over-the-counter products at its Bradford plant until the factory's expected closure next year. Boots will then take over their production in Nottingham.

Mr Bernard Taylor, Medeva chairman, said the sale to Boots would eliminate the company's borrowings and leave it with cash to expand its core businesses of prescription drugs and vaccines.

## Independent audit hold-up • Turkish and Cypriot investments will be protected • Ship deal unaffected

By David Barchard

THE INDEPENDENT audit of Polly Peck International's operations promised by the board on October 5 has failed to make any headway in Turkey or Cyprus, the two countries where more than 70 per cent of the group's profits were made last year.

Two British accountants, Mr Richard Stone and Mr Jim Truscott, flew back to London on Tuesday evening. It had become evident that there was little prospect of gaining access in the near future to Polly Peck's Cyprus operations as well as some in Turkey, including Meyna, the fruit export company which is believed to account for most of the group's profits.

Yesterday Coopers &

Lybrand Deloitte said it had been given a courteous reception by Mr Asil Nadir and other Polly Peck officials, and two teams of accountants were in Istanbul, standing by to go into the group's operations in Turkey and Cyprus as soon as possible.

However, the auditors face an interim court order which prevents them from going into any of the nine Polly Peck companies operating on the island.

A Turkish Cypriot judge in Nicosia, Mr Hasan Sonmezdemir, ruled that the ban should stay in force until the court's next hearing on November 26. The injunction is being sought by a group of orange farmers in Cyprus who

say the controversy surrounding Polly Peck is hurting their business. In spite of claims by Turkish Cypriot opposition politicians that the farmers' action is not displeasing to Mr Nadir, Mr Mehmet Aziz, his lawyer in Nicosia, said he had tried to fight the ban.

"It did sound a bit funny to us. We have been put in an embarrassing position," he said. "The ban came just at a time when we were instructing the release of the documents."

Even before the injunction was issued, the auditors had been refused access to the books of Meyna, the fruit and vegetable export company on the Turkish mainland.

Meyna's accounts are impor-

tant for understanding Polly Peck's finances. Although the group has never divulged any detailed information about the operation, it is generally believed to be the only possible source of most of Polly Peck's extraordinary profits.

Though it is based on the mainland, Meyna has been listed among the Turkish Cypriot companies covered in the injunction.

Mr Montes said the court injunction meant that the two Turkish Cypriot directors of Polly Peck, Mr Nadir and Mr Radar Regat, could theoretically be sued in Cyprus for contempt of court if they allowed the auditors access to the group's records anywhere else in the world.

## Nadir statement on investments in north Cyprus and Turkey

MR ASIL NADIR, chairman of Polly Peck International, issued the following statement in Turkish yesterday in Istanbul:

"There has been a great deal of speculation in the last few days, in the press and public opinion, about the situation of Polly Peck plc in London. Because of this, it has become necessary to make this announcement."

"Polly Peck International's investments in Turkey such as the Vestel Electronic Group, Meyna Agriculture Group, and the Sheraton Voyager Hotel are prime and essential for us and will be maintained in the most healthy form in the future with their high performance just as they are today."

"These investments of ours will be specially protected from external interference and there is no question of their being financially affected by events in London. Furthermore, no transfer abroad of resources from these operations has been made until now and no such transfer is being contemplated."

"My operations in Turkey and the Turkish Republic of Northern Cyprus, along with a healthy future for them, have always come before all else for me. Just as all my efforts until now have been aimed at continuing my group and personal investments in Turkey and Northern Cyprus in the most healthy fashion, so they will



Asil Nadir: operations in Turkey and Cyprus paramount

continue to be. I want all those who work for us to be reassured by the knowledge of this. I am determined to continue my struggle, under whatever conditions, conscious of the international political calculations and expectations (which lie) behind the curtain of the events we are up against. I am conscious of the serious situation we would face regarding the national Cypriot cause should these calculations and expectations be realised.

"I believe that Turkish public opinion will be able to make the soundest appraisal in this regard."

## Norwegians committed to Del Monte deal

By Andrew Baxter

KVAERNER, the Norwegian industrial and shipbuilding group, yesterday moved to ally concerns over its involvement in a £142m long-term ship charter deal with PFI Del Monte Fresh Produce.

The deal, announced in May, involved the sale by Polly Peck, with charter-back, of nine new Del Monte reefers or refrigerated cargo vessels.

Polly Peck acquired rights to the vessels as part of its £875m purchase of the Del Monte fresh fruit operation last year, and the deal was an important step in reducing gearing.

The purchaser of the ships is a consortium including Kvaerner and a group of Norwegian investors. The deal was one of the largest in reefer ship history.

Kvaerner is due to buy three ships outright and has a 30 per cent interest in a fourth, producing an expected total outlay of \$88.5m.

Six of the ships, all of which were built in Spain, have been delivered, but the three being bought by Kvaerner are not expected to be delivered until early 1992. Kvaerner has paid over its share of payment for the fourth ship to Polly Peck,

but the bulk of its investment, for the other three ships, has been prepaid into an escrow account.

Kvaerner's involvement in the deal has caused anxiety in Oslo. Speculation that it could bring the company heavy losses led to a sharp fall in its share price last month. The company subsequently wrote to the Oslo Stock Exchange denying that it faced heavy losses, and said there were no indications that the deal might fail.

In London yesterday, Mr Erik Tonseth, Kvaerner's president and chief executive, said

his company "had no exposure to Polly Peck, but we do not want to walk away from the deal. It is an interesting opportunity for us and other Norwegian investors which we don't want to miss."

The aim is for the ships to be chartered back to PFI Del Monte under a 10-year agreement. Mr Tonseth said that if Polly Peck could not fulfil its commitments, it would have to take delivery of the three Kvaerner ships anyway, allowing the Norwegian company to walk away from the deal.

Kvaerner is listed in London, Page 26

## Norton calls for £6.5m

By Andrew Bolger

NORTON Group, the motorcycle and specialist engineering group, has announced a 15-for-4 rights issue at 20p to help fund the acquisition of a German fastener manufacturer for a total of £2.8m.

Norton is paying £4.8m for Wardale, the UK holding company for FUS Betriebs- und Verwaltungen, which supplies specialist fasteners to the electrical, automotive and consumer durable market.

It is also assuming a liability of £2m owed by FUS and is paying £2.4m for land and fac-

tory occupied by FUS in Germany.

In the last financial year FUS made pre-tax profits of £1.1m (£1.39m) on turnover of £19.9m. For the first half of this year, the audited turnover rose to £11.6m, with pre-tax profits of £1.2m.

The rights offer, fully underwritten by TC Cowi, Norton's stockbroker, will raise a net £6.5m.

As the offer price is below the nominal value of the existing ordinary shares, the share capital must be reconstructed.

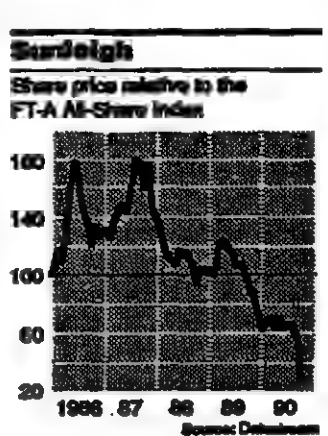
## New chief leads restructuring at Sunleigh

By Andrew Jack

SUNLEIGH, the USM-quoted golf products and electrical goods manufacturer, yesterday appointed a new chairman and announced a major restructuring to focus on leisure activities, while reporting pre-tax losses of £151,000 for the six months to June 30 and passing the dividend to shareholders.

Mr David "Sandy" Saunders, chairman of Howmac, the industrial management and finance company, has replaced Mr Tony Merryweather, who said he had "agreed to step down from the chair immediately and lead my future support in a non-executive role."

The appointment follows Howmac's purchase of 9 per cent of Sunleigh shares in a tender placing last April. Mr Saunders joined the board as a non-executive director at that time and had since then been examining ways to restructure. The Howmac-led consortium, which makes Powa



Kaddy electrically-operated golf trolleys, said it would concentrate on leisure products, while leaving its industrial businesses into a new subsidiary called Hallamcrest which would be independently financed.

Mr Saunders said Hallam-

crest would be expected to restore "acceptable levels of profitability and repay inter-group indebtedness of £5m." It might split into two divisions and was likely to "merge with another quoted group," he said.

Sunleigh's shareholding was 100 per cent owned by 100 per cent to zero. Sunleigh would "almost certainly look for another product to provide cash through licensing, internal development or acquisition," he said. "It will probably be a precision engineered product and quite likely to do with sports."

The company has also established Powakaddy Marketing to use its brand name for a variety of purposes including endorsements. The changes follow interim losses of £151,000, against profits of £1.41m in the comparable half. Turnover fell to £11.1m (£11.51m).

The group was dragged into

the red by exceptional items of £283,000 and a decline in trading profits of its industrial products division to £171,000 (£269,000).

The company made provisions of £400,000 against the possibility of a bad debt, £250,000 for rectifying a component failure and £190,000 against stock which it believes it is unlikely to dispose of as anticipated.

There was an extraordinary debit of £260,000 against losses on stocks and plant as a result of divestment from part of the industrial products division.

Trading profits rose slightly to £294,000 (£288,000) in leisure products, which produces the golf trolleys and Associated Supplies, a wholesaler of leisure clothes.

The loss per share was 0.59p (revised earnings of 3.51p). There is no dividend (0.75p). The shares shed 2p to 17p.

## The Telfos tale becomes more tangled

By Maggie Urry

THE TALE of Telfos Holdings, the locomotives, rolling stock, investment and property dealing group, has become more tangled with the resignation of Mr Jonathan "Jo" Mallins, the chief executive on Tuesday.

Mr Mallins, who has in the past courted publicity, was unwilling to comment after his resignation.

Mr Clive Harrison, a non-executive director of Telfos, and senior partner of Fiske & Co, its stockbrokers - in which Telfos has a 13.5 per cent stake - was also reticent yesterday about the reasons for Mr Mallins' departure.

Mr Mallins had not been chirpy before Tuesday's curt announcement of Mr Mallins' departure. A £13.5m one-for-three rights issue at 160p in July, had been enthusiastically taken up by shareholders who believed that prospects were good for the group's core business, mainly its Hunslet locomotives and rolling stock subsidiaries. However, one large holder, Gove's Strategic Investments, which at one stage had over 15 per cent of the company, did take the opportunity to sell its stake.

Since the rights, the shares

and property activities has been deteriorating and Telfos will have to make provisions against the assets, which earlier this month it said would be higher than it originally hoped.

As yet Telfos can give no idea of how big these provisions might be. Mr Harrison said yesterday that shareholders "will be given a progress report as and when we do anything." He said he hoped this would be a matter of weeks rather than months.

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Since the rights, the shares

had dropped to 100p before the news of Mr Mallins' resignation. On Tuesday they fell another 27p to 73p, but closed 2p higher at 75p yesterday.

One large shareholder said yesterday, "It is a very unsatisfactory situation. The fall in the share price since the rights is entirely related to lack of clarity in information. He said that until details of the new provisions were made clear, the market would assume the worst."

Shareholders are clearly concerned that a group whose core business had been increasing profits rapidly, and which looked set to profit handsomely from contracts to supply British Rail, the Channel Tunnel, London Underground and others, might be held back by losses on the non-core side.

Telfos's last accounts, for the calendar year 1989, showed extraordinary provisions of £6.6m against two investments, which, although offset by some gains, resulted in a retained loss and a transfer from reserves to cover the dividend.

## Pennant Props in receivership

By Vanessa Houlder, Property Correspondent

PENNANT PROPERTIES, the Australian-controlled international development company, yesterday went into receivership.

Pennant, formerly Country & New Town Properties, was exposed to the property downturn that extended throughout its markets in the UK, North America and Australia. It has been dependent on the support of its bankers since November 1989, when Bay Financial, the Boston-based property group in which it had a 56.3 per cent stake, sought protection from its creditors under Chapter 11.

May, it announced interim pre-tax losses of £4.51m, and passed its preference and ordinary dividends. It said that the continued support of its lenders depended on the disposal of two London properties, which were proving difficult to sell.

Mr Colin Birt and Mr Michael Gericke of Price Waterhouse have been appointed administrative receivers.

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Shareholders were given that warning at the annual meeting yesterday.

Mr David Davies, chairman, said turnover of three subsidiaries had been greatly reduced by ongoing delays on projects and a slowdown in inquiries. The core business, DY Davies Associates, continued to trade profitably.

In the first half of 1989 pre-tax profit was £633,000, rising to £1.45m by the year-end. Mr Davies said steps had been taken to reduce the cost base. Office space surpluses to requirements was being let, and staff numbers had fallen by more than 25 per cent.

## DY Davies shares fall on warning

DY DAVIES, the USM-quoted group which provides architectural and allied services, is likely to report a loss for the half year to October 31. The shares lost 18p to close at 60p.

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Nav falls 22% at British Assets Trust

The net asset value of British Assets Trust was 74.8p at September 30 1990, a decline of over 22 per cent on the previ-

ous year-end figure of 96.3p. Directors of the trust, part of the Ivory & Stone stable, said the decline compared with a fall of 17.7 per cent in the FT-A All-Share Index.

Earnings per share improved to 4.17p (3.56p) and the recommended final dividend of 1p lifts the total for the year to 3.65p. A total of at least 4p is forecast for the current year.

Clydesdale Trust asset value drops

At September 30, net asset value per share at Clydesdale Investment Trust had declined to 91.82p, from 106.13p six months earlier and 115.2p at September 30 1989.

Earnings per share for the year to end-September rose from 3.11p to 3.45p, and the total dividend is 3.45p (3.1p) with a final of 2.45p. Total income was £342,000 (£794,000) and pre-tax revenue £300,000 (£532,000).

Plastiscall suffers exceptional costs

Exceptional costs hit Plastiscall in the half year ended July 31, pulling down pre-tax profits from £226,000 to £450,000. Trading profits rose 19 per cent to £288,000 from turnover ahead 44 per cent to £1.1m. The group, which is quoted on the

USM, makes and installs uPVC, aluminium and wood windows and doors.

Mr Howard Mantion and Mr Mike Price, joint chairman and chief executives, said the modest increase in operating profits was achieved in a difficult climate and reflected the overall strength of the group.

Reorganisation taken would enable the group to respond quickly to the increase in demand envisaged in the next six months. Steady progress in profitability should be maintained during the second half.

The exceptional charges comprised £111,000 loss through the insolvency of a main contractor and £81,000 rationalisation costs.

Earnings fell to 3.7p (4.5p). Interim dividends are initiated with a payment of 1.5p.

Cambridge Group expands by 59%

Organic growth and the expansion of international operations boosted Cambridge Group in the six months to August 31. This Irish-based financial services organisation saw pre-tax profits expand 69 per cent, from £1.23m to £1.96m (£1.77m).

Turnover surged 77 per cent to £12.14m (£6.85m). Mr Colin Menton, chairman,

said the Irish leasing operations grew in line with the market. Trading in all areas of the business had been buoyant with the exception of stockbroking.

The two acquisitions, Cambridge Asset Finance, in Preston, and Cambridge Vendor Finance, in Crawley, should be strong contributors to profit in the future.

Profits in the second half should be higher, he maintained.

Earnings came to 2.75p (1.94p) and there is an interim dividend of 0.4p.

First Charlotte net asset value declines

Net asset value of First Charlotte Assets Trust declined further over the six months to September 30 1990.

At that date nav came to 9.72p, against 12.18p six months earlier and 15.23p at September 1989.

In the latest half year earnings per share fell from 0.12p to 0.07p, after total income declined to £185,000 (£246,000).

Investors Capital assets down 20%

Net asset value per share of Investors Capital Trust stood at 91.3p at September 30, a fall just over 20 per cent on the

114.9p of a year earlier.

Total revenue for the 12 months rose from £17.3m to £18.65m and earnings per share from 4.61p to 4.55p, after tax of £4.16m (£3.91m).

The total dividend payment is increased from 4.25p to 4.85p with a proposed final of 1.30p.

The directors said that with current uncertainty in the Gilt no nearer a conclusion and the likelihood of a further declaration in the rate of economic growth, the outlook for the UK market in 1991 was less certain than it had been for some time.

They added, however, that the increase in the final dividend indicated a minimum payment of 5p for the year to September 30 1991.

Yearlings interest rate at 13 1/4%

The interest rate for this week's issue of local authority bonds is 13 1/4 per cent, down 3/4 of a percentage point from the last issue two months ago.

This compares with 14 1/4 per cent a year ago.

The bonds are issued at par and are redeemable on October 30 1991.

A full list of issues will be published in tomorrow's edition.



## HAMMERSON CANADA INC.

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September 1990

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## NEWS DIGEST

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## COMMODITIES AND AGRICULTURE

## Platinum producer claims it will survive downturn

By Philip Gawth in Johannesburg

RUSTENBURG PLATINUM Holdings, the world's largest platinum producer, will have a market for its expanded production capacity and is well positioned to weather any downturn in the platinum market, says Mr Pat Retief, its chairman.

Speaking yesterday at the annual general meeting of Rustenburg and its sister company Leobovab Platinum, both in Johannesburg, consolidated Investments (JCI) group, Mr Retief rejected the view that platinum was an industrial metal caught inevitably in a web of world-wide recession, with consumption reducing yet supply increasing.

The platinum price was recently driven down to \$399 a troy ounce, its lowest level in four years. Mr Retief listed four factors behind the bearish sentiment.

● The belief that platinum, a vital element in controlling exhaust emissions from cars, would be consumed in smaller

quantities as world recession cut motor car sales.

● Lower Japanese purchases, particularly in the important jewellery sector, because of the recession.

● Potential investors in platinum preferred to invest in interest-bearing deposits.

● Fear that increased production by South African producers would soon lead to surplus.

Mr Retief sought to rebut each of these points. Regarding the car industry, he said: "Higher emissions legislation is already requiring the US auto industry to use more PGM (platinum group metal) per vehicle and we predict that these higher loadings will at least balance any reduction brought about by lower car sales."

Even more important, he said, was the fact that "at present only 30 per cent of current production of automobiles in western Europe are fitted with catalysts and by 1993 when leg-

islation will require that all new vehicles are so equipped, extra demand will approach 800,000 ounces."

Regarding Japanese jewellery demand, the second largest sector, Mr Retief said sales continued to rise with 1990 seeing a new record consumption of 38.38 tonnes, some 100,000 ounces higher than in 1989.

Mr Retief conceded that investment had recently avoided platinum, but stressed that "investment is an insignificant consumer of physical platinum today." He said investment demand in 1989 was only 5 per cent of total demand and that figure would probably fall to 3 per cent in 1990.

He agreed that the increased supplies by the mid-1990s would lead to a more competitive market, but felt that Rustenburg and Leobovab were well protected from any downturn by virtue of being low-cost producers and having access to strong marketing and distribution networks.

## Soybeans feel pinch after Brazil policy shift

By Victoria Griffin in Sao Paulo

THE SOYBEAN and soyabean oil markets of Brazil have been thrown into a severe crisis by the economic policies of the new Collor administration. Changes in the financial and economic environment — such as lower inflation, an overvalued currency, elimination of subsidies and scarce credit, to name a few — are exacting a heavy toll from an industry that was, until recently, a source of pride.

President Fernando Collor de Mello took over last March after defeating his socialist rival.

The size of the latest crop shrank to 18m tonnes from 24m tonnes a year earlier and industry forecasts are predicting that the next harvest will be still smaller. Even worse has been the decline in exports, which are expected to fall to a value of \$2.9bn this year against \$3.6bn in 1989.

As in other Brazilian industries, lower inflation exposed weaknesses in the soyabean market that had previously been masked by the profit-making opportunities presented by the fast-falling cruzeiro, since costs were met in devalued local currency while foreign currency returns rose measured in domestic units.

Profits from hyper-inflation were translated into over-investment in plant capacity, which has reached a level of about 30m tonnes a year. Quite simply, there are not enough soybeans grown in Brazil to keep all that plant employed.

In an attempt to cut the fat, soyabean companies have begun to close down some of their less profitable plants. Copasa has failed to put into operation a recently constructed factory in Dourados and Cargill closed one of the plants it acquired last year from OX Group.

Many of the plants that are being eliminated are located far from Brazil's ports, although deterioration in railway and road transport in Brazil has exacerbated the soyabean sector's problems. Keeping down transport costs is essential for the soyabean industry, whose products are extremely heavy and this is especially true of heavy soyabean powder products.

Over the past four decades, soyabean have enjoyed vast expansion in Brazil, with production surging to 18m tonnes from just 457 tonnes in 1941. Through cost-cutting, the industry hopes to recuperate some of the heavy losses it has suffered in recent months and it may be helped by relatively stable international prices, which have hovered between \$220 and \$230 a tonne this year.

## Global warming could cut cereal crops, study warns

By David Thomas, Resources Editor

WORLD CEREAL production could fall by 5-10 per cent by about the year 2030 as a result of global warming, a leading expert on the effect of climatic change on agriculture said yesterday.

Mr Martin Parry, professor of environmental management at Birmingham University, was speaking on the publication of a book dealing with global warming and world food production.

Mr Parry was the leading author of a study prepared on this subject for the United Nations sponsored Intergovernmental Panel on Climate Change, which is due to report to a large ministerial conference in Geneva next week.

Warmer, drier conditions could cause losses in agricultural production of 10-30 per cent by about 2030 in mid-latitude "bread-basket regions", such as the US Great Plains, the Canadian Prairies, the Soviet European lowlands, the Soviet Ukraine, the Australian wheat belt and the Argentine pampas, the book says.

The US alone could suffer falls in the net value of agricultural output of \$30bn annually, with the largest reductions in sorghum (20 per cent), maize (18 per cent) and rice (11 per cent).

Some high latitude regions in the northern hemisphere, such as northern Europe, would increase their output substantially due to wetter, warmer weather. Mr Parry calculates that each one degree centigrade increase in average warming will shift the boundaries for growing crops 300 kilometres northwards.

A warmer climate could therefore increase annual rice production in Japan by about 3 per cent, while agriculture in Scandinavia might gain more than any other region.

However, the book argues that these gains will not be sufficient to compensate for losses in other areas.

The regions at most risk from climate change, Mr Parry says, are arid and semi-arid areas, such as the Sahel and the Horn of Africa. In Kenya,

for instance, an increased frequency of dry years could reduce yields of maize by 30-70 per cent.

Mr Parry said yesterday that this could result in more famines in, and mass migrations from, those areas that are already vulnerable.

He accepted that there were many uncertainties about regional projections, but defended his work as the best estimate of what would happen if no action was taken to combat global warming. The UN-sponsored scientific assessment, published this summer, said that global temperatures would increase by 1.1 degrees C by about 2030 in the absence of countervailing action.

Mr Parry also acknowledged the belief of some scientists that warming could increase food production, but he said that this would be an unlikely outcome.

*Climate Change and World Agriculture* by Martin Parry. Earthscan Publications, 3 Endsleigh Street, London WC2H 9DD. Price £25.

## EC close to ban on US meat sales

POOR HYGIENE in some US slaughterhouses could lead the European Community (EC) to ban some American meat imports next month, EC officials said yesterday.

EC inspectors carrying out normal twice-a-year inspections said they found rotten kidneys and liver stamped as approved for export. Checking of animal carcasses was simply not up to scratch, the EC veterinary committee said in a statement after unanimously recommending the ban.

An official said that the EC had been criticising US hygiene standards since 1983. It is envisaged to ban pork imports on November 1 and beef imports would stop next January 1. The full EC Commission has yet to approve the move, but is expected to do so.

The advice followed routine inspections of US fresh meat plants confirming that hygiene was not up to community standards, an EC official said. US pork exports to the EC were worth \$13.5m last year and beef exports were worth \$100m.

## Gold miners dig only rich ores

By Kenneth Gooding, Mining Correspondent

LATEST REPORTS from the South African gold producers show that many are being forced by current low prices to "high-grade" or concentrate on the recovery of richer and more easily accessible ore.

High-grading over the longer term can reduce the chances of lower grade ore eventually being mined and will often shorten a mine's expected life. However, Mr Graham Birch, an analyst with Ord Minnett, suggests that this action by South Africa's higher-cost mines "is a necessary and sensible response to reduced profitability, but it shows the stress the industry is under at the moment."

There is no doubt that real pain is being felt in the South African gold mining industry at current gold prices. It has been estimated that about half of South Africa's gold mines, responsible for roughly a quarter of that country's output would be unprofitable at today's gold price.

unless they took some action such as high-grading or cutting their output.

"These mines without the flexibility to raise grades will be faced with tough closure decisions soon," says Mr Birch.

One of the most significant examples of current high grading is the Anglo American Corporation's Freegold mine, the world's largest gold producer but one that is relatively high-cost. Anglo's latest quarterly report shows Freegold raised its grade by more than 10 per cent which pushed up gold production by 105,000 troy ounces helping to restore the mine's profitability.

East Rand Proprietary Mines, a perennial loss-maker at much higher gold prices than today's, raised its ore grades last quarter by a huge 32 per cent. In Mr Birch's words: "this turned a monster loss into a reasonable profit."

Among those mines which cut output to increase profitability were Western Areas,

down by 12 per cent in the latest quarter. Buffalo, down 10 per cent, and Grootevlei, down 24 per cent.

"The Anglo American Corp has also given a warning that it may defer the development of its proposed Moab gold mine in South Africa," Mr Julian Ogilvie Thompson, the chairman, said.

"You wouldn't want to launch into a major project such as Moab if you're feeling uncomfortable about the gold price."

Mr Robin Plumbridge, chairman of Gold Fields of South Africa, suggested recently that the so-called "taunter approach" demanded by the current gold price would inevitably spill over to the profitable South African mines, and the 12 leading mines are already highly competitive in world terms.

"Closure of shafts where mining is uneconomic seems unavoidable," he said. All this would lead to redundancies in the industry, Mr Plumbridge warned.

## Colombian coffee stock estimates vary

COLOMBIA'S Private Coffee Exporters' Association has estimated that the country's coffee stocks stood at 4m bags (60 kg each) at the end of September, of which 1.4m bags were of exportable quality. Reuters reports from Bogota.

However, this estimate conflicted with figures from the semi-governmental National Coffee Growers' Federation, one of whose officials said

stocks at October 1 totalled 4.8m bags, all of it exportable.

The federation estimate included coffee in its warehouses, as well as coffee in the hands of exporters and at ports. The association estimate was only coffee in federation warehouses.

The association reckoned exportable coffee production in 1990-91 (October-September) at between 11.7m and 12.6m bags.

It put Colombia's export capacity at 11.7m bags if production was at the lowest estimate and only fresh coffee was exported, or as much as 13.8m bags if production was at the highest estimate and stocks were used.

The amount of exportable stocks is vital to determine whether Colombia can continue exporting coffee after the breakdown in July 1989 of the ICA export quotas.

## Indian cotton yield to exceed 15m bales

By Kamel Bose in Calcutta

INDIA IS set to harvest a record cotton crop of just over 15m bales (170 kg each) and could export anything up to 2m bales during the 1990-91 season (September to August).

Last year, when the crop was about 13.4m bales, the country sold nearly 1.5m bales abroad for about \$6.5bn (\$180m). Although the global cotton supply situation has improved in the current year, Indian officials believe it should be possible to earn \$100bn from exports in 1990-91.

In the first phase, coinciding with the commencement of arrival of new season cotton, the central government has sanctioned an export quota of 500,000 bales of cotton plus 25,000 bales each of yellow pickings and soft cotton waste and 100,000 bales of hard cotton waste. As the season progresses and arrivals of cotton gain in momentum, further export quota releases will be made.

Officials admit that without exports of the order of 2m bales, cotton prices may collapse in village markets.

Official support prices for cotton in the current season have been raised by 8 per cent to offset the rise in cultivation costs and also to sustain farmers' interest in the crop. The Indian cotton farmers' lobby is particularly strong and neither the central government nor the

state governments will allow a sharp fall in prices.

Excellent weather conditions in most growing areas and an increase in land under cultivation have combined to produce the record crop. Encouraged by good returns last year, Indian farmers have grown cotton on 8m hectares, compared with 7.5m hectares last year.

India has the largest area under cotton, but because of the use of low quality seed and antiquated farm practices, its yields are less than half the world average.

Including the opening stock of 3m bales, the total supply of cotton in 1990-91 will be 15m bales. The textile mills' requirement is estimated at about 11m bales, while non-mill use will at the most be 700,000 bales.

After providing for export of 2m bales the stocks to be carried forward to next year will be 4.5m bales. Year-end stocks may be still higher if crop estimates are revised upwards while the season progresses, as happened last year.

Emboldened by two consecutive bumper crops, the Indian government has taken a policy decision that every year a minimum of 500,000 bales of cotton will be exported. Indian authorities have finally realised that the interests of growers could best be protected by exporting part of the crop.

## Aluminium 'never waste'

By Richard Mooney

INCLUSION of aluminium scrap in the European Community's waste directive was "incomprehensible," Mr Jan Schotthorst, president of the Aluminium Federation, said in a speech prepared for delivery at the federation's annual dinner in London last night.

He said aluminium was the most successful recyclable material and added that "any attempt to impose regulations designed for real waste onto a material as valuable as aluminium can only be to the detriment of our recycling initiatives."

Aluminium for recycling was "the most valuable raw material for our industry and should not now or ever be regarded as waste," Mr Schotthorst insisted last night.

"It can be used to produce aluminium cans from old cans, motor car components from old motor car components, window frames from old window frames."

"But back in the early 1980s the aluminium and car industries began working on longer-term projects involving vehicles which would be made almost entirely from aluminium; 'space frames' of the metal on which panels of aluminium, steel or plastic could be welded or bonded."

"Already there are several aluminium products which lend themselves to 'closed loop' recycling programmes, beverage cans and automotive castings among them. More than 75 per cent of the aluminium used in cars today is recycled metal."

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## MARKET REPORT

COFFEE PRICES added to the market's gains yesterday, with the March position in the London Futures and Options Exchange ending £18 up at £729 a tonne. Traders said the move reflected nervousness over the political situation in Ivory Coast, where presidential elections are to be held on October 25. "New York" coffee in strong demand, which also helped to bolster prices, one added. Robusta coffee futures were described as "quietly mixed" after absorbing recent fund selling. The January position closed £2 up at £585 a tonne. At the London Metal Exchange, copper prices closed

higher for the fifth day in succession, but the three months position's apparent £13 rise actually took place in after-hours trading on Tuesday. And in after-hours trading yesterday the price slipped £4 to £1,363. Traders said prices had eased after the New York market ran up against a chart barrier close to 125 cents a lb for December futures. Other LME markets were little changed, with the exception of nickel where sporadic commission house liquidation pushed the three months price down by \$225 to \$8,437.50 a tonne and the cash price fell below \$9,000 a tonne. Exchange, copper prices closed

SUGAR - London F&O				
	Close	Previous	High	Low
Dec	832	828	830	826
Mar	729	711	729	711
May	767	767	767	767
Jul	771	750	771	750
Aug	749	734	749	734
Dec	827	811	827	811
Mar	855	840	855	840
Turnover: \$956 (3389) lots of 10				
ICCD indicator prices (\$/cwt) by				
prices for Oct 23 1987 (\$/cwt) by				
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**Fifteen major Spanish companies  
in one.  
As Europe becomes one.**

In 1992, Europe will have a single unified market.

In June 1990, all of Banesto's industrial holdings came together in one new company.

It is no coincidence.

As a single entity, La Corporación Banesto is now uniquely placed to represent Spanish industry in Europe.

With core holdings in fifteen major Spanish corporations and investments in more than 100 other companies, we cover practically the whole range of Spain's commercial and industrial activities.

We also have an established international presence in Europe, the Americas and the Far East.

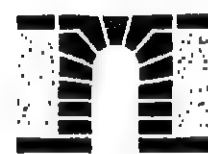
Now, with 1% of the entire Spanish industrial economy under active management, we can go even further.

We have the scale and resource to make the most of the new opportunities which 1992 will create.

We will seek to exploit them through our existing operations, and through new ventures and new partnerships.

As Spain's newest – and largest – private sector industrial company, we can also influence its potential as a major industrial force.

In Europe. And around the world.



**La Corporación  
Banesto**

*The driving force  
in Spain is now an active  
force in Europe.*



3. Can. I.	7630	-2	852	4.9
4. To Inc.	9409	+16	\$1.16	5.7
5. A Gold Corp.	7850	-	-	-
6. Tech. Corp.	1300	+14	-	-
7. -Dom. S&P	7250	+20	78d	4.6
8. Can Pipe	6670	+9	58d	4.4
9. Corp.	7700	-	\$2.30	-

Continued on next page



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## BANKS, HP &amp; LEASING

1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	9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**PROPERTY—Contd**[illegible]**INVESTMENT TRUST—Contd**

1990 Low	Stock	Price	% Net	Total Gr%	NAV
30	30 Centric Cable Inc.	32	+1		36.6
1100	1100 Warrants	12			80.8
90	90 Citicorp Inc. 50c	63		02: 1.6	
18	18 Du Pont	20			
9	9 Energy & Com. Inc.	42		(7.75:24.6	
31260	31260 Du. Cap. (CL)	1220			1814.4
40	40 City of Oakland Inc.	36	+9	F4.5:17.2	34.1
354	354 Du. Zoo Inc. 50c	671			
10	10 Du. Zoo Inc. 50c	671		3.45: 63	94.1
30	30 Du. Zoo Inc. 50c	171	-2	0.1	236.1
90	90 Du. Zoo Inc. 50c	90			
13300	13300 Du. Zoo Inc. 50c	1484	-4	0.1	157.0
80	80 Du. Warrants	85			
77000	77000 Du. Zoo Inc. 50c	85		7.95:13.5	
10	10 Du. Zoo Inc. 50c	85	-1		47.3

**INVESTMENT TRUST—Contd**[illegible]

## OIL AND GAS—Contd.

[illegible]

## MINES – Contd

Stock	Price
<b>Tires</b>	
ayer Hiland SM1	25
ong Borchs M50.50	45
leyde Nong, 10c	25
tating S401	130
mpet Best S401	1250
gong Tin 15p	900

rwilson 10p.....	W	165	1.35
deland 5p.....	W	30	3.84
hills 5p.....	W	56	3.75

150	Wentworth 100	168	1	1.30	1.11	1.11
151	Wentworth 100	169	1	1.30	1.11	1.11
152	Wentworth 100	170	1	1.30	1.11	1.11
153	Wentworth 100	171	1	1.30	1.11	1.11
154	Wentworth 100	172	1	1.30	1.11	1.11
155	Wentworth 100	173	1	1.30	1.11	1.11
156	Wentworth 100	174	1	1.30	1.11	1.11
157	Wentworth 100	175	1	1.30	1.11	1.11
158	Wentworth 100	176	1	1.30	1.11	1.11
159	Wentworth 100	177	1	1.30	1.11	1.11
160	Wentworth 100	178	1	1.30	1.11	1.11
161	Wentworth 100	179	1	1.30	1.11	1.11
162	Wentworth 100	180	1	1.30	1.11	1.11
163	Wentworth 100	181	1	1.30	1.11	1.11
164	Wentworth 100	182	1	1.30	1.11	1.11
165	Wentworth 100	183	1	1.30	1.11	1.11
166	Wentworth 100	184	1	1.30	1.11	1.11
167	Wentworth 100	185	1	1.30	1.11	1.11
168	Wentworth 100	186	1	1.30	1.11	1.11
169	Wentworth 100	187	1	1.30	1.11	1.11
170	Wentworth 100	188	1	1.30	1.11	1.11
171	Wentworth 100	189	1	1.30	1.11	1.11
172	Wentworth 100	190	1	1.30	1.11	1.11
173	Wentworth 100	191	1	1.30	1.11	1.11
174	Wentworth 100	192	1	1.30	1.11	1.11
175	Wentworth 100	193	1	1.30	1.11	1.11
176	Wentworth 100	194	1	1.30	1.11	1.11
177	Wentworth 100	195	1	1.30	1.11	1.11
178	Wentworth 100	196	1	1.30	1.11	1.11
179	Wentworth 100	197	1	1.30	1.11	1.11
180	Wentworth 100	198	1	1.30	1.11	1.11
181	Wentworth 100	199	1	1.30	1.11	1.11
182	Wentworth 100	200	1	1.30	1.11	1.11
183	Wentworth 100	201	1	1.30	1.11	1.11
184	Wentworth 100	202	1	1.30	1.11	1.11
185	Wentworth 100	203	1	1.30	1.11	1.11
186	Wentworth 100	204	1	1.30	1.11	1.11
187	Wentworth 100	205	1	1.30	1.11	1.11
188	Wentworth 100	206	1	1.30	1.11	1.11
189	Wentworth 100	207	1	1.30	1.11	1.11
190	Wentworth 100	208	1	1.30	1.11	1.11
191	Wentworth 100	209	1	1.30	1.11	1.11
192	Wentworth 100	210	1	1.30	1.11	1.11
193	Wentworth 100	211	1	1.30	1.11	1.11
194	Wentworth 100	212	1	1.30	1.11	1.11
195	Wentworth 100	213	1	1.30	1.11	1.11
196	Wentworth 100	214	1	1.30	1.11	1.11
197	Wentworth 100	215	1	1.30	1.11	1.11
198	Wentworth 100	216	1	1.30	1.11	1.11
199	Wentworth 100	217	1	1.30	1.11	1.11
200	Wentworth 100	218	1	1.30	1.11	1.11
201	Wentworth 100	219	1	1.30	1.11	1.11
202	Wentworth 100	220	1	1.30	1.11	1.11
203	Wentworth 100	221	1	1.30	1.11	1.11
204	Wentworth 100	222	1	1.30	1.11	1.11
205	Wentworth 100	223	1	1.30	1.11	1.11
206	Wentworth 100	224	1	1.30	1.11	1.11
207	Wentworth 100	225	1	1.30	1.11	1.11
208	Wentworth 100	226	1	1.30	1.11	1.11
209	Wentworth 100	227	1	1.30	1.11	1.11
210	Wentworth 100	228	1	1.30	1.11	1.11
211	Wentworth 100	229	1	1.30	1.11	1.11</

2009 European Assets DFT	288	Q14%	2.0	238.2
30 European Project I.T. Exp. y	32			42.0
90 No. Warrantants	10			

[illegible]

1350 Do Cap. Indexed 10p y	160	-	-	-
120 Welsh Indl Inv Trs 5p y	129	4.0	4.3	205.0
463 Welsh Indl Inv	507	11.6	2.1	607.3

[illegible]

## OVERSEAS TRADERS

[illegible]

Stock	Price	-
Lyons Hosiery 20p...y	5	.....
Lyons Res. 10p...y	51	.....

[illegible]

## SHOES AND LEATHER

SHOES AND LEATHER				
360	27570	70	611.25	4.4
361	8250	100	2.0	1.7
362	8250	100	2.0	1.7
363	3770	100	2.0	1.7
364	3770	100	2.0	1.7
365	3770	100	2.0	1.7
366	3770	100	2.0	1.7
367	3770	100	2.0	1.7
368	3770	100	2.0	1.7
369	3770	100	2.0	1.7
370	3770	100	2.0	1.7
371	3770	100	2.0	1.7
372	3770	100	2.0	1.7
373	3770	100	2.0	1.7
374	3770	100	2.0	1.7
375	3770	100	2.0	1.7
376	3770	100	2.0	1.7
377	3770	100	2.0	1.7
378	3770	100	2.0	1.7
379	3770	100	2.0	1.7
380	3770	100	2.0	1.7
381	3770	100	2.0	1.7
382	3770	100	2.0	1.7
383	3770	100	2.0	1.7
384	3770	100	2.0	1.7
385	3770	100	2.0	1.7
386	3770	100	2.0	1.7
387	3770	100	2.0	1.7
388	3770	100	2.0	1.7
389	3770	100	2.0	1.7
390	3770	100	2.0	1.7
391	3770	100	2.0	1.7
392	3770	100	2.0	1.7
393	3770	100	2.0	1.7
394	3770	100	2.0	1.7
395	3770	100	2.0	1.7
396	3770	100	2.0	1.7
397	3770	100	2.0	1.7
398	3770	100	2.0	1.7
399	3770	100	2.0	1.7
400	3770	100	2.0	1.7
401	3770	100	2.0	1.7
402	3770	100	2.0	1.7
403	3770	100	2.0	1.7
404	3770	100	2.0	1.7
405	3770	100	2.0	1.7
406	3770	100	2.0	1.7
407	3770	100	2.0	1.7
408	3770	100	2.0	1.7
409	3770	100	2.0	1.7
410	3770	100	2.0	1.7
411	3770	100	2.0	1.7
412	3770	100	2.0	1.7
413	3770	100	2.0	1.7
414	3770	100	2.0	1.7
415	3770	100	2.0	1.7
416	3770	100	2.0	1.7
417	3770	100	2.0	1.7
418	3770	100	2.0	1.7
419	3770	100	2.0	1.7
420	3770	100	2.0	1.7
421	3770	100	2.0	1.7
422	3770	100	2.0	1.7
423	3770	100	2.0	1.7
424	3770	100	2.0	1.7
425	3770	100	2.0	1.7
426	3770	100	2.0	1.7
427	3770	100	2.0	1.7
428	3770	100	2.0	1.7
429	3770	100	2.0	1.7
430	3770	100	2.0	1.7
431	3770	100	2.0	1.7
432	3770	100	2.0	1.7
433	3770	100	2.0	1.7
434	3770	100	2.0	1.7
435	3770	100	2.0	1.7
436	3770	100	2.0	1.7
437	3770	100	2.0	1.7
438	3770	100	2.0	1.7
439	3770	100	2.0	1.7
440	3770	100	2.0	1.7
441	3770	100	2.0	1.7
442	3770	100	2.0	1.7
443	3770	100	2.0	1.7
444	3770	100	2.0	1.7
445	3770	100	2.0	1.7
446	3770	100	2.0	1.7
447	3770	100	2.0	1.7
448	3770	100	2.0	1.7
449	3770	100	2.0	1.7
450	3770	100	2.0	1.7
451	3770	100	2.0	1.7
452	3770	100	2.0	1.7
453	3770	100	2.0	1.7
454	3770	100	2.0	1.7
455	3770	100	2.0	1.7
456	3770	100	2.0	1.7
457	3770	100	2.0	1.7
458	3770	100	2.0	1.7
459	3770	100	2.0	1.7
460	3770	100	2.0	1.7
461	3770	100	2.0	1.7
462	3770	100	2.0	1.7
463	3770	100	2.0	1.7
464	3770	100	2.0	1.7
465	3770	100	2.0	1.7
466	3770	100	2.0	1.7
467	3770	100	2.0	1.7
468	3770	100	2.0	1.7
469	3770	100	2.0	1.7
470	3770	100	2.0	1.7
471	3770	100	2.0	1.7
472	3770	100	2.0	1.7
473	3770	100	2.0	1.7
474	3770	100	2.0	1.7
475	3770	100	2.0	1.7
476	3770	100	2.0	1.7
477	3770	100	2.0	1.7
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480	3770	100	2.0	1.7
481	3770	100	2.0	1.7
482	3770	100	2.0	1.7
483	3770	100	2.0	1.7
484	3770	100	2.0	1.7
485	3770	100	2.0	1.7
486	3770	100	2.0	1.7
487	3770	100	2.0	1.7
488	3770	100	2.0	1.7
489	3770	100	2.0	1.7
490	3770	100	2.0	1.7
491	3770	100	2.0	1.7
492	3770	100	2.0	1.7
493	3770	100	2.0	1.7
494	3770	100	2.0	1.7
495	3770	100	2.0	1.7
496	3770	100	2.0	1.7
497	3770	100	2.0	1.7
498	3770	100	2.0	1.7
499	3770	100	2.0	1.7
500	3770	100	2.0	1.7
501	3770	100	2.0	1.7
502	3770	100	2.0	1.7
503	3770	100	2.0	1.7
504	3770	100	2.0	1.7
505	3770	100	2.0	1.7
506	3770	100	2.0	1.7
507	3770	100	2.0	1.7
508	3770	100	2.0	1.7
509	3770	100	2.0	1.7
510	3770	100	2.0	1.7
511	3770	100	2.0	1.7
512	3770	100	2.0	1.7
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514	3770	100	2.0	1.7
515	3770	100	2.0	1.7
516	3770	100	2.0	1.7
517	3770	100	2.0	1.7
518	3770	100	2.0	1.7
519	3770	100	2.0	1.7
520	3770	100	2.0	1.7
521	3770	100	2.0	1.7
522	3770	100	2.0	1.7
523	3770	100	2.0	1.7
524	3770	100	2.0	1.7
525	3770	100	2.0	1.7
526	3770	100	2.0	1.7
527	3770	100	2.0	1.7
528	3770	100	2.0	1.7
529	3770	100	2.0	1.7
530	3770	100	2.0	1.7
531	3770	100	2.0	1.7
532	3770	100	2.0	1.7
533	3770	100	2.0	1.7
534	3770	100	2.0	1.7
535	3770	100	2.0	1.7
536	3770	100	2.0	1.7
537	3770	100	2.0	1.7
538	3770	100	2.0	1.7
539	3770	100	2.0	1.7
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541	3770	100	2.0	1.7
542	3770	100	2.0	1.7
543	3770	100	2.0	1.7
544	3770	100	2.0	1.7
545	3770	100	2.0	1.7
546	3770	100	2.0	1.7
547	3770	100	2.0	1.7
548	3770	100	2.0	1.7
549	3770	100	2.0	1.7
550	3770	100	2.0	1.7
551	3770	100	2.0	1.7
552	3770	100	2.0	1.7
553	3770	100	2.0	1.7
554	3770	100	2.0	1.7
555	3770	100	2.0	1.7
556	3770	100	2.0	1.7
557	3770	100	2.0	1.7
558	3770	100	2.0	1.7
559	3770	100	2.0	1.7
560	3770	100	2.0	1.7
561	3770	100	2.0	1.7
562	3770	100	2.0	1.7
563	3770	100	2.0	1.7
564	3770	100	2.0	1.7
565	3770	100	2.0	1.7
566	3770	100	2.0	1.7
567	3770	100	2.0	1.7
568	3770	100	2.0	1.7
569	3770	100	2.0	1.7
570	3770	100	2.0	1.7
571	3770	100	2.0	1.7
572	3770	100	2.0	1.7
573	3770	100	2.0	1.7
574	3770	100	2.0	1.7
575	3770	100	2.0	1.7
576	3770	100	2.0	1.7
577	3770	100	2.0	1.7
578	3770	100	2.0	1.7
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580	3770	100	2.0	1.7
581	3770	100	2.0	1.7
582	3770	100	2.0	1.7
583	3770	100	2.0	1.7
584	3770	100	2.0	1.7
585	3770	100	2.0	1.7
586	3770	100	2.0	1.7
587	3770	100	2.0	1.7
588	3770	100	2.0	1.7
589	3770	100	2.0	1.7
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602	3770	100	2.0	1.7
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615	3770	100	2.0	1.7
616	3770	100	2.0	1.7
617	3770	100	2.0	1.7
618	3770	100	2.0	1.7
619	3770	100	2.0	1.7
620	3770	100	2.0	1.7
621	3770	100	2.0	1.7
622	3770	100	2.0	1.7
623	3770	100	2.0	1.7
624	3770	100	2.0	1.7
625	3770	100	2.0	1.7
626	3770	100	2.0	1.7
627	3770	100	2.0	1.7
628	3770	100	2.0	1.7
629	3770	100	2.0	1.7
630	3770	100	2.0	1.7
631	3770	100	2.0	1.7
632	3770	100	2.0	1.7
633	3770	100	2.0	1.7
634	3770	100	2.	

66 French Property Tr.	74			
23 Do. Warrants.....	28			
58 Fulcrum Inc.	64	17.814		
8 Do. Cap. 2 1/4p.....	11 1/2		12.1	
146 GT Japan.....	181	21.15	0.8	216.6

[illegible]

13	15	Cardinal Group.....	21	-----	65.0	1.3	8
30	30	De. 4.30pc Rd Cr P 1990.....	37	-----	4.38	-----	15.8
61	24	Centenary Trust Ltd.....	26	-42	3.0	2.2	15.8
14	04	City & Westminster Lp.....	04	-----	-----	-----	-----
40	241	De. 10pc Cr Lin. Ls 1990.....	£26.5	-----	010%	-----	-----

190	Close Bros.	243	0	2.4	4.9
191	Combs, William W.	243	0	2.4	4.9
192	CP Group	243	0	2.4	4.9
193	Craig, John	243	0	2.4	4.9
194	Craig, John	243	0	2.4	4.9
195	Craig, John	243	0	2.4	4.9
196	Craig, John	243	0	2.4	4.9
197	Craig, John	243	0	2.4	4.9
198	Craig, John	243	0	2.4	4.9
199	Craig, John	243	0	2.4	4.9
200	Craig, John	243	0	2.4	4.9
201	Craig, John	243	0	2.4	4.9
202	Craig, John	243	0	2.4	4.9
203	Craig, John	243	0	2.4	4.9
204	Craig, John	243	0	2.4	4.9
205	Craig, John	243	0	2.4	4.9
206	Craig, John	243	0	2.4	4.9
207	Craig, John	243	0	2.4	4.9
208	Craig, John	243	0	2.4	4.9
209	Craig, John	243	0	2.4	4.9
210	Craig, John	243	0	2.4	4.9
211	Craig, John	243	0	2.4	4.9
212	Craig, John	243	0	2.4	4.9
213	Craig, John	243	0	2.4	4.9
214	Craig, John	243	0	2.4	4.9
215	Craig, John	243	0	2.4	4.9
216	Craig, John	243	0	2.4	4.9
217	Craig, John	243	0	2.4	4.9
218	Craig, John	243	0	2.4	4.9
219	Craig, John	243	0	2.4	4.9
220	Craig, John	243	0	2.4	4.9
221	Craig, John	243	0	2.4	4.9
222	Craig, John	243	0	2.4	4.9
223	Craig, John	243	0	2.4	4.9
224	Craig, John	243	0	2.4	4.9
225	Craig, John	243	0	2.4	4.9
226	Craig, John	243	0	2.4	4.9
227	Craig, John	243	0	2.4	4.9
228	Craig, John	243	0	2.4	4.9
229	Craig, John	243	0	2.4	4.9
230	Craig, John	243	0	2.4	4.9
231	Craig, John	243	0	2.4	4.9
232	Craig, John	243	0	2.4	4.9
233	Craig, John	243	0	2.4	4.9
234	Craig, John	243	0	2.4	4.9
235	Craig, John	243	0	2.4	4.9
236	Craig, John	243	0	2.4	4.9
237	Craig, John	243	0	2.4	4.9
238	Craig, John	243	0	2.4	4.9
239	Craig, John	243	0	2.4	4.9
240	Craig, John	243	0	2.4	4.9
241	Craig, John	243	0	2.4	4.9
242	Craig, John	243	0	2.4	4.9
243	Craig, John	243	0	2.4	4.9
244	Craig, John	243	0	2.4	4.9
245	Craig, John	243	0	2.4	4.9
246	Craig, John	243	0	2.4	4.9
247	Craig, John	243	0	2.4	4.9
248	Craig, John	243	0	2.4	4.9
249	Craig, John	243	0	2.4	4.9
250	Craig, John	243	0	2.4	4.9
251	Craig, John	243	0	2.4	4.9
252	Craig, John	243	0	2.4	4.9
253	Craig, John	243	0	2.4	4.9
254	Craig, John	243	0	2.4	4.9
255	Craig, John	243	0	2.4	4.9
256	Craig, John	243	0	2.4	4.9
257	Craig, John	243	0	2.4	4.9
258	Craig, John	243	0	2.4	4.9
259	Craig, John	243	0	2.4	4.9
260	Craig, John	243	0	2.4	4.9
261	Craig, John	243	0	2.4	4.9
262	Craig, John	243	0	2.4	4.9
263	Craig, John	243	0	2.4	4.9
264	Craig, John	243	0	2.4	4.9
265	Craig, John	243	0	2.4	4.9
266	Craig, John	243	0	2.4	4.9
267	Craig, John	243	0	2.4	4.9
268	Craig, John	243	0	2.4	4.9
269	Craig, John	243	0	2.4	4.9
270	Craig, John	243	0	2.4	4.9

Tens		Units	
10	20	30	40
50	60	70	80
90	100	110	120

MINES		
Central Rand		
41) Broken Dam R.	512	
42) East Rand Fm. R.	512	
43) Randfont. Est. 20c	864	
44) Glenora 4. Last 2c	864	
45) West Rand R.	864	10
Eastern Rand		
46) JAFMIR Mine	47 1/2	24
47) Brackley 10c	47 1/2	24
48) East Rand Fm. R.	47 1/2	24
49) East Rand Fm. R.	10	10
50) East Rand Fm. R.	10	10
51) East Rand Fm. R.	48 1/2	24
52) East Rand Fm. R.	48 1/2	24
53) East Rand Fm. R.	70 1/2	36
54) East Rand Fm. R.	70 1/2	36
55) East Rand Fm. R.	70 1/2	36
56) East Rand Fm. R.	70 1/2	36
57) East Rand Fm. R.	70 1/2	36
58) East Rand Fm. R.	70 1/2	36
59) East Rand Fm. R.	70 1/2	36
60) East Rand Fm. R.	70 1/2	36
Far West Rand		
101) Breyer 25c	348	
102) Breyer 25c	348	
103) Breyer 25c	348	
104) Breyer 25c	348	
105) Breyer 25c	348	
106) Breyer 25c	348	
107) Breyer 25c	348	
108) Breyer 25c	348	
109) Breyer 25c	348	
110) Breyer 25c	348	
111) Breyer 25c	348	
112) Breyer 25c	348	
113) Breyer 25c	348	
114) Breyer 25c	348	
115) Breyer 25c	348	
116) Breyer 25c	348	
117) Breyer 25c	348	
118) Breyer 25c	348	
119) Breyer 25c	348	
120) Breyer 25c	348	
121) Breyer 25c	348	
122) Breyer 25c	348	
123) Breyer 25c	348	
124) Breyer 25c	348	
125) Breyer 25c	348	
126) Breyer 25c	348	
127) Breyer 25c	348	
128) Breyer 25c	348	
129) Breyer 25c	348	
130) Breyer 25c	348	
131) Breyer 25c	348	
132) Breyer 25c	348	
133) Breyer 25c	348	
134) Breyer 25c	348	
135) Breyer 25c	348	
136) Breyer 25c	348	
137) Breyer 25c	348	
138) Breyer 25c	348	
139) Breyer 25c	348	
140) Breyer 25c	348	
D.F.S.		
56) Beerside Mine	284	42
57) S. C. Oak, Gold 10c	482	48
67) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
100) East Rand Fm. 10c	78	2
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Impressions.....	Y	17	17
My Kids 5p.....	Y	17	17
News Connection.....	Y	27	27
Morning Leisure 20p.....	Y	40	40
L. Group 10p.....	Y	32	32

[illegible]

Warrants	34	+2	
of LJ	118		5.0
of 2nd	570		5.10

72	72Carnegie Mellon	100							
73	73Mastek New Deme...	92							
74	74Carnegie Mellon	100							
75	75Duke Warrington	21							
76	76Carnegie Mellon	21							
77	77Duke Warrington	21							
78	78Carnegie Mellon	21							
79	79Duke Warrington	21							
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154	154Duke Warrington	21							

1999 Jan 10	Stock	Price	% Chg	Vol	High	Low	Open	Close	Adj. Close
73	73Mastek New Deme...	92							
74	74Carnegie Mellon	100							
75	75Duke Warrington	21							
76	76Carnegie Mellon	21							
77	77Duke Warrington	21							
78	78Carnegie Mellon	21							
79	79Duke Warrington	21							
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154	154Duke Warrington	21							

17004, S...	228	9.35	5.5	310.128
228 Murray Ventures...	228	8.0	11.2	
85 New Throg. Inc (1983)	95			135.36
61 New Cap	61			

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160	Stratagem Grp 20p	165	3.5	6.8	2.8
119	Sumit 100p	119	13.8	1.3	6.5

2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	3355	3356	3357	3358	3359	3360	3361	3362	3363	3364	3365	3366	3367	3368	3369	3370	3371	3372	3373	3374	3375	3376	3377	3378	3379	3380	3381	3382	3383	3384	3385	3386	3387	3388	3389	3390	3391	3392	3393	3394	3395	3396	3397	3398	3399	3400	3401	3402	3403	3404	3405	3406	3407	3408	3409	3410	3411	3412	3413	3414	3415	3416	3417	3418	3419	3420	3421	3422	3423	3424	3425	3426	3427	3428	3429	3430	3431	3432	3433	3434	3435	3436	3437	3438	3439	3440	3441	3442	3443	3444	3445	3446	3447	3448	3449	3450	3451	3452	3453	3454	3455	3456	3457	3458	3459	3460	3461	3462	3463	3464	3465	3466	3467	3468	3469	3470	3471	3472	3473	3474	3475	3476	3477	3478	3479	3480	3481	3482	3483	3484	3485	3486	3487	3488	3489	3490	3491	3492	3493	3494	3495	3496	3497	3498	3499	3500	3501	3502	3503	3504	3505	3506	3507	3508	3509	3510	3511	3512	3513	3514	3515	3516	3517	3518	3519	3520	3521	3522	3523	3524	3525	3526	3527	3528	3529	3530	3531	3532	3533	3534	3535	3536	3537	3538	3539	3540	3541	3542	3543	3544	3545	3546	3547	3548	3549	3550	3551	3552	3553	3554	3555	3556	3557	3558	3559	3560	3561	3562	3563	3564	3565	3566	3567	3568	3569	3570	3571	3572	3573	3574	3575	3576	3577	3578	3579	3580	3581	3582	3583	3584	3585	3586	3587	3588	3589	3590	3591	3592	3593	3594	3595	3596	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Ang. Am. Coal 50c...	112	+1/2	U.
Anglo Amer. 10c...	113 1/4	+3/8	D.
Ang. Am. Gold R1...	1137	+1/8	101

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2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453</
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# CANADA

Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change	Sales	Stock	High	Low	Close	Change
TORONTO																	
Closing prices October 24																	
Ottawa/Quebec in cents unless marked																	
3186 Alcan	\$70 1/2	69 1/2	69 1/2	69 1/2	0	3186 Alcan	\$70 1/2	69 1/2	69 1/2	69 1/2	0	3186 Alcan	\$70 1/2	69 1/2	69 1/2	69 1/2	0
12222 Agriana E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	12222 Agriana E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	12222 Agriana E	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan C	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan C	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan C	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan B	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan B	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan B	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan A	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan A	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan A	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan D	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan D	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan D	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan E	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan F	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan F	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan F	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan G	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan G	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan G	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan H	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan H	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan H	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan I	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan I	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan I	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan J	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan J	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan J	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan K	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan K	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan K	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan L	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan L	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan L	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan M	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan M	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan M	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan N	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan N	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan N	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan O	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan O	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan O	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan P	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan P	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan P	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan Q	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Q	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Q	\$1 1/2	1 1/2	1 1/2	1 1/2	0
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20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan S	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan T	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan T	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan T	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan U	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan U	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan U	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan V	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan V	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan V	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan W	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan X	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan X	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan X	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan Y	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Y	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Y	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan Z	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Z	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan Z	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AA	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AA	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AA	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AB	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AB	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AB	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AC	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AC	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AC	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AD	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AD	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AD	\$1 1/2	1 1/2	1 1/2	1 1/2	0
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20222 Alcan AF	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AF	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AF	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AG	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AG	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AG	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AH	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AH	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AH	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AI	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AI	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AI	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AJ	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AJ	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AJ	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AK	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AK	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AK	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AL	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AL	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AL	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AM	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AM	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AM	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AN	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AN	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AN	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AO	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AO	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AO	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AP	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AP	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AP	\$1 1/2	1 1/2	1 1/2	1 1/2	0
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20222 Alcan AR	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AR	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AR	\$1 1/2	1 1/2	1 1/2	1 1/2	0
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20222 Alcan AU	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AU	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AU	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AV	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AV	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AV	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AW	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AW	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AW	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AX	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AX	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AX	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AY	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AY	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AY	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan AZ	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AZ	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan AZ	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BA	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BA	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BA	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BB	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BB	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BB	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BC	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BC	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BC	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BD	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BD	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BD	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BE	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BE	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BE	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BF	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BF	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BF	\$1 1/2	1 1/2	1 1/2	1 1/2	0
20222 Alcan BG	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BG	\$1 1/2	1 1/2	1 1/2	1 1/2	0	20222 Alcan BG	\$1 1/2	1 1/2	1 1/2	1 1/	

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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 43



**NASDAQ NATIONAL MARKET**

3pm prices October 24

[illegible]

**4pm prices  
October 24**

[illegible]

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**FINANCIAL TIMES**  
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## AMERICA

## Programme trades offset budget pact frustration

## Wall Street

EQUITIES PUT on a mixed to firmer performance on Wall Street yesterday, as frustration with the government for failing to come up with an acceptable budget package was alleviated by some computer-driven programme trading, writes *Karen Zogor in New York*.

The Dow Jones Industrial Average improved 10.15 to 2,504.21, while New York SE volume totalled 150.1m shares. On the big board, advancing issues led a slight lead over declines by 78 to 718. The Dow lost 23 points on Tuesday.

The stock market managed to ignore a renewed rally in oil prices, with the December crude contract ending \$1.71 a barrel higher at \$31.06. Crude oil trading was spurred by reports of more violence in the Middle East.

Citicorp remained near the top of the NYSE's most active list and shed 3/4 to \$11.1/4. The bank has avoided having to call an auction of its auction-rate preferred stock by increasing the maximum dividend rate allowed on the issue.

Trading was also heavy in Chase Manhattan, which lost 1/4 to \$11.1/4. The bank, which recently cut its dividend from 32 cents a share, will pay a 30-cent regular quarterly dividend in November. The stock will trade ex-dividend today.

Continental Airlines plunged 1/4 to \$4. The company yesterday denied that it planned to file for protection under chapter 11 of the federal bankruptcy code, although it intends to sell some assets.

UAL, parent of United Airlines, rose 1/4 to \$86. UAL said that it would acquire a number of assets from Pan Am, including the parent US Europe routes. Pan Am was unchanged at \$1/4.

In results-driven trading, Compaq Computer jumped 3/4 to \$47.4/4 after reporting third-quarter net income of \$1.58 a share, against \$1.01 a year ago. Computer Associates gained 1/4 to \$74 on second-quarter earnings of 15 cents a share, up from 5 cents a year ago.

Westinghouse Electric rose 1/4 to \$25. The company said that it expects to post full year earnings of about \$3.40 to \$3.50 a share. Anheuser-Busch declined 3/4 to \$38 after turning in third-quarter net earnings of 91 cents a share, compared with 83 cents last year.

PARIS saw active trading in Michelin and Suez. The CAC 40 index fell 8.93 to 1,667.24 as profit-taking set in, in volume of around 2.2bn shares. Analysts feared that the market was in for a tumble as more sellers came out of the woodwork.

Suez fell 1/4 to FF334.20 with 585,940 shares traded following publication of the group's first half figures, which were in line with expectations. Suez's cautious statement about the second half of the year and a warning that consolidated earnings per share could fall in 1990 weighed on the stock.

Mr Bill Vincent at UBS Phillips and Drew said that while Suez was trading at a 40 per cent discount to net assets and at a substantial discount to the French market, the price was being held back by the indigestible issue of paper mainly in the form of warrants and convertibles - over the past year, confusion about the company's real earnings and a lack of direction in the management of its investments.

Michelin continued to recover after last week's plunge, gaining FF4.50 or 7.17 per cent to FF67.70 with 416,780 shares traded. Bouygues, the construction group, fell FF2.90 or 4.45 per cent to FF42.90 after reporting a 45.7 per cent fall in consolidated net profit to FF102m. Remy, the drinks group which rose last week after Highland Distilleries of the UK took an indirect stake in it, fell FF1.20 to FF29.1.

FRANKFURT's run of uncertainty continued as a rise of 13.98 or more than 2 per cent to 653.75 in the FAZ index at mid-session was replaced by a fall of 20.52, or 1.4 per cent in the DAX at the close.

Volume rose again, from DM6.1bn to DM7.3bn. Dealers said that stocks had risen in the morning on index-linked programme trading from both domestic and foreign sources, then suffered profit-taking as the DAX failed to attract convincing buying interest above the 1,500 level.

"It's a kind of consolidation," said Mr Michael Rietberger, head of trading and sales at Citibank in Frankfurt, confident international investors will be back in the medium term.

In the meantime, the rumour mill opened again yesterday. Deutsche Bank was in the market as a seller, but the story went round that its own third quarter results were going to be down. Deutsche denied this but its shares fell DM5.50 to DM63.90 while Daimler, which has been more volatile, only shed DM2.50 to DM62.50.

Elsewhere in carmakers, Volkswagen dropped DM16 to DM286 as the downgrading of analysts' earnings estimates came in for further consideration. Steels, too, were relatively weak with Hoesch DM9.50 lower to DM226 and Thyssen down DM6 to DM200.50.

MILAN consolidated after its recent gains. The Comit index rose just 1.15 to 883.92 as volume fell back after Tuesday's heavy 1.23tbn.

Lower oil prices had given the market a much needed boost, analysts said. But Italy's dependence on imported oil was likely to restrict economic growth and eat into corporate profits, they warned. Furthermore, while support from the four large corporate groups was evident, foreigners remained net sellers.

Olivetti paused after its run at the start of the week, up 1.1 to L4.33, as rumours of a link-up with Stet were denied.

ZURICH saw pressure on banks following depressing news on earnings prospects from Bank Leu and Credit Suisse, confirming the bleak forecasts made recently by other major commercial banks. CS Holding declined Sfr20 francs to Sfr11.80 and Union Bank

The World Index (2348) 133.20 -0.4 100.85 107.77 104.36 116.18 -0.5 2.95 132.75 101.90 107.76 106.53 116.72 182.05 118.33 150.81

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CONSTITUENT CHANGE: Deletion (24/10/90): Comm. Ind. Gases (Australia).

## Taiwan prepares to open up to outsiders

Peter Wickenden points out the pitfalls of investing directly in Taipei's volatile bourse

FOREIGN institutions are likely to approach investing directly in Taiwan's lethally volatile stock market with some trepidation, if indeed they feel like doing so at all.

If the Security and Exchange Commission's proposals for limited market opening to foreigners are passed by the cabinet in early November, qualified foreign institutions may be free to invest in the stock market by the end of the year.

But the timing of this move, and the nature of the draft proposals, suggest to foreign analysts that the allotted role is two-fold: first to bail the local out, then to be the martyrs who sacrifice themselves to the cause of cleaning up a notoriously manipulated casino.

Mr Malcolm Riddell, who runs a financial services consultancy in Taipei, has no illusions about the opening of the market when it is wallowing at 70 to 80 per cent below its February peak. "It's as clear as can be that this is to pump the market, and some officials have admitted it to me. Foreign institutions are in business to make money, not to bail out the market," he says.

He and many others suspect the government's motives because of the rule that institutions must bring their cash into the country - US\$3m to US\$50m - keep it in Taiwan dollars and cannot remit the principal out again for at least three months. Although this was reduced from the 12 months in an earlier draft after foreign protests, profits and dividends cannot be remitted until one year is up.

This is intended to prevent any more hot money flowing in and out of Taiwan than does already. But analysts say it will be a serious handicap to managers of regional-based mutual funds. "This does not make much sense," says Mr Riddell.

In the proposal, institutional investors are defined as banks, insurance companies and fund management companies of various sorts. Banks must be amongst the world's top 500 in terms of assets, and currently have at least US\$5bn invested in securities. Insurance companies will need at least ten years of operating experience and assets exceeding US\$5bn, while fund managers must have five years of experience.

ASIA PACIFIC

## Nikkei slips back as cautious mood returns

Tokyo

MARKET participants, wary of the forecasted advance of equities in recent days, took to the sidelines yesterday and the Nikkei average slipped below 25,000. The weakening of the yen against the dollar, lower domestic bond prices and the overnight decline on Wall Street also contributed to the bearish mood, writes *Martina Gammon in Tokyo*.

The Nikkei finished at 24,576.38, down 421.42, after touching 24,977.26. The day's high was 25,271.28. Falls led rises by 661 to 258, and 142 issues were unchanged. Turnover slipped from 550m shares to 500m. The Toxip index of all listed stocks rose 18.09 to 1,841.48, but in London the ISE/Nikkei 50 index gained 8.06 to 1,414.36.

Among the day's gainers was NTT, which advanced ¥27,000 to recover the ¥1m level for the first time since August. Also performing well were some construction, heavy industries, shipbuilders and pharmaceuticals. Nishimatsu Construction, the day's most active issue, finished ¥180 higher at ¥1,370.

Environment-related stocks fared well. Elara added ¥30 to ¥1,650 and Daiken Trade & Industry, a manufacturer of wooden and mineral fibreboards, rose ¥30 to ¥1,800.

However, arbitrage liquidation brought down prices almost across the board in thin morning trading. Many sectors trimmed recent gains, including real estates, large-capital steels and other domestic demand-related issues that had been boosted by the stronger yen. But as the currency weakened to ¥128 to the dollar, investors began to offload their holdings. Nippon Steel shed ¥4 to ¥468 and Mitsubishi Estate dropped ¥30 to ¥1,370.

The weakest section was financials, following rumours that former officials of Mitsu Trust & Banking had been arrested on allegations of embezzlement. The stock fell ¥100 to ¥1,340. Industrial Bank of Japan lost ¥160 to ¥2,840.

Speculative shares also fell sharply. Honchu Paper leading the way with a drop of ¥310 to ¥2,160. Export-oriented equities fared poorly in spite of

expectations that they would advance once the yen stopped rising. Sony retreated ¥120 to ¥6,650, Hitachi ¥40 to ¥1,200 and Toshiba ¥31 to ¥800.

A rally in the final hour of trading in Osaka pushed the OSE average up 98.75 to 26,656.58, extending its advance to eight consecutive trading days. Volume edged up to 45m shares from 42.6m. Traders, cautious about the sustained rise, had concentrated on profit-taking throughout the day but changed tack in the end.

Roundup

PACIFIC RIM markets were mixed, with most maintaining their strength in spite of falls in Tokyo and New York.

TAIWAN jumped 6.6 per cent, the largest single gain in a day since August 31, as big players swung into action with large buy orders. The weighted index gained 218.84 at 3,519.41.

Turnover came to T\$51.5bn against T\$39.7bn.

All sectors were higher, with financial, cement, and food shares leading the gains.

MANILA gained ground for the fourth trading day running as bargain hunters snapped up shares and appeared to ignore the effect of a general strike called by labour unions.

The composite index advanced 3.5 per cent, or 18.16, to 573.16 and turnover rose to 56.8m pesos from 53.5m.

SEOUL continued its sharp upturn, registering the steepest gain for the market's main barometer in about 19 months.

The composite index climbed 31.22, or 4.1 per cent, to 796.77 on a strong volume of Won333.5bn (Won288bn).

The index has surged 158 points, or 25 per cent, since last Wednesday when Seoul's improving relations with North Korea provided strong momentum for a recovery.

VIEWPOINT

## The Commerzbank report on German business and finance

### Air transport: deregulation will stimulate growth

Worldwide, the air transport industry is expanding. With annual growth rates of between 5 and 7%, the size of the air travel market should double by the start of the next century when total passenger volume is expected to reach two billion. As consumer spending on leisure in general is increasing, private travel should show even stronger growth than business travel in the years ahead. However, air cargo demand will be boosted still more, thanks to the emergence of truly global markets for products. Many high-tech products are already being sent by air, and the fact that more and more companies are switching to "just-in-time" inventory and distribution systems means that air cargo should remain a high-growth sector for some time to come.

While demand for air transport is buoyant, competition in the industry is also intensifying and, in many cases, this has already pushed rates down. The process of airline deregulation, which began in the United States in 1978 and is largely complete there, is now gaining momentum in Asia and Europe.

Changes in Europe

The pace of liberalization in the European Community in particular is quickening. Plans call for the creation of a unified EC market in air

transport by 1993. From then onwards, the member countries' airlines will be free to set their European fares at whatever level they choose. They will be permitted to offer flights to any destination within the EC. In the meantime, the strict regulations which currently govern the

allocations of routes and the approval of fares by national transport ministries will be eased somewhat.

The first deregulation measures, which came into effect in 1988, focused on three aspects: fares (the introduction of two discount zones was approved); the previously rigid distribution of capacities between the airlines; and market access. From November 1, 1990, airlines will be allowed to introduce a new staggered system of rates. In some cases, e.g. if round trips are booked well in advance, price

reductions of up to 70% will be offered.

More liberal rules will also be applied in the allocation of routes and capacities, with restrictions on the operation of passenger services between member states by EC carriers (cabotage) being lifted.

While liberalization will clearly boost demand for air travel in Europe, the scope for a major expansion of air traffic volume is at present limited. The existing constraints can only be overcome through a package of measures, including improved coordination of air traffic control and investments to expand airports.

However, the air transport industry as a whole will have to make large outlays in the coming years. Over the next ten to fifteen years, the world's airlines will probably need to buy a very large number of new aircraft. Financing such a huge investment will certainly represent a great challenge for most of them, especially since their profit margins can be expected to narrow as competition heats up.

COMMERZBANK

German knowhow in global finance

VIEWPOINT is presented as a regular service to the international business and financial community by the Economics Department of Commerzbank, E.O. Box 10055, D-6000 Frankfurt/Main 1.

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Development of air transport worldwide

Air cargo

Passengers transported

1970 1980 1990

Source: International Civil Aviation Organization (ICAO)

While demand for air transport is buoyant, competition in the industry is also intensifying and, in many cases, this has already pushed rates down. The process of airline deregulation, which began in the United States in 1978 and is largely complete there, is now gaining momentum in Asia and Europe.

Changes in Europe

The pace of liberalization in the European Community in particular is quickening. Plans call for the creation of a unified EC market in air

transport by 1993. From then onwards, the member countries' airlines will be free to set their European fares at whatever level they choose. They will be permitted to offer flights to any destination within the EC. In the meantime, the strict regulations which currently govern the

allocations of routes and the approval of fares by national transport ministries will be eased somewhat.

The first deregulation measures, which came into effect in 1988, focused on three aspects: fares (the introduction of two discount zones was approved); the previously rigid distribution of capacities between the airlines; and market access. From November 1, 1990, airlines will be allowed to introduce a new staggered system of rates. In some cases, e.g. if round trips are booked well in advance, price

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